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ABSTRACT

This catalog provides information on innovative financing strategies, primarily state and community strategies, being used to successfully fund child care in the United States. Four chapters of the catalog are devoted to profiles of 78 programs using the following categories of strategies: (1) "Generating Public Revenue for Child Care," addressing tax- and fee-based approaches, including lotteries and gaming; (2) "Allocating Public Revenues for Child Care," examining ways states allocate existing revenue for child care, including connecting child care to welfare-to-work, education, health, and crime-prevention goals; (3) "Financing Child Care in the Private Sector," focusing on business and labor-initiated programs that improve access to child care and improve quality and supply, and on philanthropic efforts to improve child care and support community child care systems; and (4) "Financing Child Care via Public-Private Partnerships," including capital investment partnerships for financing child care facilities. Each profile describes the strategy, when it was initiated, the amount of funding it generates, how funds are distributed, what services are funded, and who is eligible to receive them. Additional locations using similar financing strategies are listed with contact information. The catalog's final chapter addresses potential strategies, presenting examples from other fields that might be applied to child care, including tax policy, unemployment compensation, social investment, and higher education, as well as ideas for strategic alliances that might support communities' child care goals. Appended are descriptions of taxes and fees as revenue-generation methods. (KB)

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FINANCING CHILD CARE IN THE UNITED STATES

AN EXPANDED CATALOG OF CURRENT STRATEGIES 2001 EDITION

PS 029184

ANNE MITCHELL · LOUISE STONEY · HARRIET DICHTER · SPONSORED BY THE EWING MARION KAUFFMAN FOUNDATION

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AN EXPANDED CATALOG OF CURRENT STRATEGIES 2001 EDITION

ANNE MITCHELL LOUISE STONEY HARRIET DICHTER SPONSORED BY THE EWING MARION KAUFFMAN FOUNDATION

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PHILADELPHIA CITIZENS FOR CHILDREN AND YOUTH

Philadelphia Citizens for Children and Youth (PCCY) is an independent children's public policy and advocacy organization. PCCY's mission is to improve the lives and life chances of Philadelphia's children. Since its founding in 1980, PCCY has played a leadership role in securing a number of significant local and state gains for Philadelphia's children in the areas of child care and early childhood education, youth development, child health and nutrition, welfare, child welfare, juvenile justice and public education. PCCY is a member agency of the United Way of Southeastern Pennsylvania and of the National Association of Child Advocates.

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HOW TO USE THIS CATALOG

This catalog was developed to share information [illegible] innovative financing strategies that are [illegible] funding child care in the United States. The purpose of the catalog is to provide a better understanding of what can be done and to encourage development of other successful strategies to finance child care.

This Catalog builds on an earlier edition published in 199[illegible] [illegible] 78 profiles, 50 are new [illegible] and [illegible] are updated from the first edition.

RESEARCHING THE PROFILES

We tried to select a portion of the profiles [illegible] in the [illegible] examples. A wide net was cast for recommendations of [illegible] that [illegible] We called known [illegible] across the country and [illegible] to the Internet [illegible] publications and searched bibliographic databases. The list of [illegible] was categorized; preliminary telephone interviews were conducted and documents were [illegible] The individuals who provided the background information checked each profile for accuracy.

LOCATING INFORMATION

Several approaches are possible:

- Review the table of contents, which categorizes the profiles by the type of financing method [illegible]
- Read the introductory section preceding each chapter, which describes the financing method and [illegible] the [illegible] profiled.
- Use the index organized by state/city [illegible] and financing strategies for reference.

PROFILE DESCRIPTION

Each profile describes the [illegible] of financing [illegible] when it was initiated, the amount of funding it [illegible] how funds are distributed, what services are funded and who is eligible to receive them. Other sites using [illegible] financing strategies are listed with contacts so that the reader may follow up for more information. The Strategic Considerations [illegible] and analysis learned from the perspective of the participants. Historical, political and economic factors that contributed to the success of a particular approach are included under this heading.

WHAT IS CHILD CARE?

"Child care" in this catalog means the full range of services used by families to educate and nurture children—services that also allow parents to work or go to school. Some would refer to this as "early care and education," or "early childhood education," or "school-age care". We use the term "child care" as shorthand and to match commonly used terminology.

Child care has many functions in society. Good child care:

- Helps children enter school ready to succeed and continue to thrive once they are there;
- Provides an appropriate learning environment for all children, including those with disabilities;
- Promotes positive child and youth development;
- Improves employee performance and productivity;
- Aids economic development and growth;
- Helps parents move from welfare to work;
- Prevents violence.

THE SYSTEM OF CHILD CARE

An effective child care system makes good child care services possible.

- A child care system is the unique combination of services, supports and policies characteristic of a state or community.
- Services are the programs offered to children in centers and homes, by schools, community organizations, religious groups, employers, and for-profit and nonprofit agencies.
- Supports are child care resource and referral services, child care work force preparation and continuing development programs, accreditation schemes, consumer engagement and other supports that make child care services better, more efficient and easier for parents to use.
- Policies are the actions of government, business and civic organizations that support and advance (or constrain and retard) the development of child care services and supports.

This revised, expanded edition of *Financing Child Care in the United States* [illegible] currently employed in states and communities [illegible] public, private [illegible] to finance child care. The focus is on state [illegible] the share of current revenue allocated to child care. Only financing mechanisms [illegible] used are profiled. The exception is the fifth chapter [illegible] strategies from other fields that might be applied [illegible] our understanding of potential resources [illegible] both needed and achievable and [illegible] care in the future.

INTRODUCTION

The strategies fall into four broad categories:

CHAPTER 01 GENERATING PUBLIC REVENUE FOR CHILD CARE

Generating public revenue includes innovative tax- and fee-based approaches to financing child care. Two federal financing mechanisms are included because they are less well-known and less well-understood than are other federal programs. These are: (1) the federal income tax credit for child and dependent care and (2) the federal provisions authorizing employer-sponsored dependent care assistance plans.

CHAPTER 02 ALLOCATING PUBLIC REVENUES FOR CHILD CARE

Child care also is financed by allocating existing state revenue streams for child care. As the profiles illustrate, this financing strategy can be based on several state policy rationales that recognize the impact of child care on welfare-to-work, education, health and crime-prevention goals.

CHAPTER 03 FINANCING CHILD CARE IN THE PRIVATE SECTOR

The third chapter, private-sector financing of child care, focuses on business and labor-initiated programs [illegible] improve access to child care as well as its quality [illegible] supply. Philanthropic efforts to improve [illegible] to develop [illegible] are included.

CHAPTER 04 FINANCING CHILD CARE VIA PUBLIC-PRIVATE PARTNERSHIPS

The fourth chapter explores public-private [illegible] in which public and private sector funds are [illegible] blended to support child care [illegible] partnerships for financing child care [illegible]

Following a brief overview of each strategy, the profiles illustrate how the strategies evolved and were implemented. Not all the possible applications of any method are [illegible] This catalog focuses on 78 leading examples.

PAYING FOR CHILD CARE

According to the most recent available national data (1993), among families who paid for child care, a family with a preschool-age child spent on average $79 per week or $4,108 per year. A median-income family spent about 11 percent of its income on child care, while a family earning $15,000 spent 24 percent of its income on child care. What families report spending on child care does not represent its full price, because some families receive partial subsidies or scholarships. In 1998 the average annual price charged for full-time child care for a 4-year-old ranged from $4,000 to $6,000. In 49 of the 50 states, the average tuition price for child care for a 4-year-old was more than the annual tuition and fees at a public college, in some cases twice as much. Further, the actual cost of producing child care was higher than the price charged to parents or other purchasers, because in-kind donations and other contributions also helped to meet the actual cost.

Taking the child care industry as a whole, families pay the largest share—roughly 60 percent—of total annual estimated expenditures for child care in the United States. Government (federal, state and local) pays much of the balance, through directly subsidizing all or part of child care tuition fees or through tax credits. The private sector (business and philanthropy) contributes less than 1 percent, as figure 1 illustrates.

MAJOR REVENUE SOURCES FOR HIGHER EDUCATION

In contrast, consider the financing of higher education. It is common knowledge that sending a child to college is expensive, that financial aid in various forms is available and that families are expected to contribute to a child's education. In 1998, tuition and fees at a four-year public college or university averaged $3,243 per year. But the tuition and fees charged to families represented only a modest portion of the actual cost of that college education, which was about $18,000 per year for a four-year public college or university. Families paid about 23 percent of the cost of a public college education — or about 35 percent of the cost, taking public and private colleges together. The balance of costs were paid by government or the private sector, as illustrated by figure 2.

fig. 01

fig. 01 MAJOR REVENUE SOURCES FOR CHILD CARE AND EARLY EDUCATION (1995)

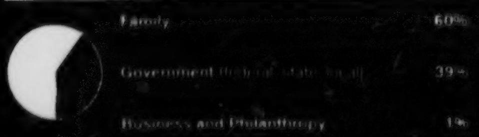
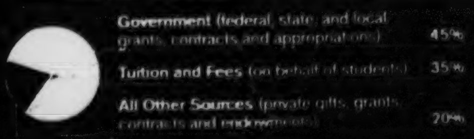


fig. 02

fig. 02 MAJOR REVENUE SOURCES FOR HIGHER EDUCATION*
(All Institutions, 1996)



DIFFERENT EXPECTATIONS

The expectations for family investment in these two areas, paying for child care and paying for college, are clearly different and do not take into consideration the changing earning patterns of families in relationship to the age of their children. Families are usually better off financially by the time their children enter college than they are when their children are young and in need of child care. The price charged to families for child care is close to the expended cost of producing child care, while the price charged to families for higher education is about a quarter of the actual cost, reflecting much greater investment in higher education by government and the private sector. Families are expected to contribute much less for college than for child care. In those few states that permit a median-income family to apply for child care subsidy, a family would be required to pay at least 15–18 percent of its income for child care. The U.S. Department of Education, in determining eligibility for federal financial aid, would expect the same family to pay 5–7 percent of its income for college costs. Figure 3 compares family contributions to child care and to college.

PORTABLE AND DIRECT AID

The central issue in financing child care is often described as a tug-of-war among three competing factors: quality of services for children, affordability for parents and compensation for child care professionals. In other fields, such as housing, higher education, transportation and health care, family, private and government funding is more deeply invested and more equitably distributed. Further, in many of these fields, funds are provided directly to a program (direct program aid) and portably to the consumer (portable financial or individual aid). Perversely, in child care, financial support is capped at levels determined by what average families are willing to pay and portable financial assistance substitutes for, rather than supplements, any direct support to a program. Figure 4 shows that, compared with higher education or the public transportation industry, child care centers depend heavily on tuition and other portable forms of aid.

fig.03 FAMILY CONTRIBUTIONS TO CHILD CARE VERSUS COLLEGE
(Median Income Family, 1998)

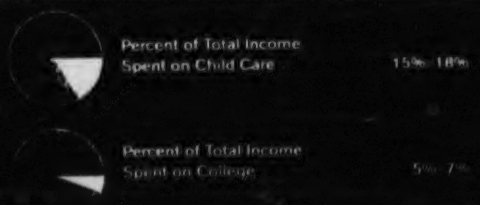
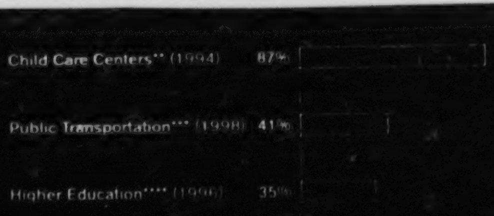


fig.04 PERCENTAGE OF REVENUE GENERATED FROM USER FEES*
(In Child Care Centers, Higher Education and Public Transportation)



* User fees are tuition paid by families and public subsidy payments in child care centers, tuition and fees paid on behalf of students in higher education and fares in transportation. User fees are portable.

** For child care centers
Cost, Quality and Child Outcomes Study Team (1995). *Cost, Quality & Child Outcomes in Child Care Centers.* Denver: University of Colorado. From Table 5.1, page 44.

*** For transporation
National Transit Database (1998). "Recovery Ratio (fare revenues per total operating expenses) 1991-98" in *National Transit Summaries and Trends.* Washington DC: Federal Transit Administration Website http://www.fta.dot.gov/ntl/database.html

**** For higher education
Barbett, S. and R. A. Korb (1999). *Current Funds Revenues and Expenditures of Degree-Granting Institutions, Fiscal Year 1996.* Washington, DC: US Department of Education, Office of Educational Research and Improvement, National Center for Education Statistics. Tables 1 and 2, pages 2-3. Note: on the advice of higher education experts expenditures for auxiliary services, hospitals and independent operations have been excluded because these are not directly related to the production of education.

COMMON APPROACHES

Financing strategies are not developed in isolation from social and political forces. They are supported by and created when those involved assess opportunities for change and act upon them. From the 78 profiles, a number of common considerations emerge. Rather than providing a summary of finance strategies themselves, these observations reflect the contexts in which successful financing strategies have emerged.

RATIONALES FOR CHILD CARE

- Child care is one of many broadly defined children's services (e.g., San Francisco's Children's Services Plan, Florida's Children's Services Councils and California's Proposition 10).
- Child care for school readiness is the rationale for prekindergarten programs (e.g., Connecticut and Georgia), for North Carolina's Smart Start and for Seattle's Families and Education Levy.
- Georgia's lottery-funded programs link early education and higher education.
- Child care workers benefit from the state's health care program in Rhode Island.
- Child care is an economic development strategy (e.g., Maine and Santa Cruz).
- Child care is linked to "dependent" care, including school-age care, youth programs (e.g., New York City's Local 1199/Employer Child Care Fund) and elder care (e.g., the American Business Collaboration and both the federal income tax provisions).
- Child care is embedded in welfare-to-work reforms with some states shifting significant resources to child care (e.g., Connecticut and Rhode Island).

01 CHILD CARE AND...

Child care is frequently embedded in a larger issue or context: child development, education, school readiness, economic development or support for the adult work force. These broader issues offer persuasive rationales for revenue generation and greater resource allocation for child care, and often include all children. Since 1996, welfare reform has been a strong force driving increased investment in child care. More recently states have recognized the size of the child care work force and its support for other employment, and they have begun to view investment in the child care industry as an economic development strategy. In the past several years, research on early learning, based on the link between brain and cognitive development and learning capacity, also has been a prominent rationale in many initiatives. A shift is underway in many states toward approaches that include all children, such as "universal preschool" strategies, and that emphasize the educational value and impact of quality child care. State investments in early education have grown dramatically.

02 POLITICALLY FEASIBLE OPPORTUNITIES

Successful financing strategies grow out of a keen understanding of the political climate as well as what the law allows. Knowing what powers are available to which levels of government, what tax strategies can be used and how government works is essential to crafting a public-revenue strategy. Understanding what motivates employers and unions is necessary for a workplace strategy. Whether the dominant community concerns are safety and security or ending welfare dependence, the revenue-generating strategy has to respond to these concerns and link child care with the issues people care about. While approaches to child care financing are varied, a common factor leading to success is the ability to read the political winds and sail in the prevailing direction.

Successful strategists look beyond the usual options and focus on where the significant resources are generated. If health coverage for all working adults is on top of the agenda, for example, the strategist makes sure that child care workers are included and will benefit. Success is linked to the ability to recognize and seize opportunities, to anticipate the dominant music and to join the chorus.

03 LONG-TERM THINKING

Successful strategies are rooted in a plan for advancing child care that recognizes the value of incremental steps. An example of this may be found in Rhode Island, which has sought to address parent affordability and teacher compensation issues over a period of several years. As part of welfare reform, the state included health care coverage for family child care providers and an entitlement to child care assistance for all families with incomes at or below 185 percent of the poverty level. Health care coverage was made available to a growing group of child care providers, both center- and home-based. The child care entitlement was raised each year, so that by July 2000 families with incomes at or below 250 percent of the poverty level (about $34,000 for a family of three, or roughly 50 percent of the state median income) are able to receive a child care subsidy. Most recently, the state has begun to tackle the issues of quality and cross-system linkages with a new initiative, called Starting RIte, that will make a variety of direct subsidies available to child care programs.

Successful strategies are often developed over time: civic and business leaders in Rochester, New York, spent years studying the demand and supply and outcomes for early childhood programs, bringing in new partners, and educating wider circles of the community. Their long-term community plan is generating revenue partly through efficiencies and leveraging that they could not have predicted when they began. In Aspen, Colorado, two years were spent developing a community child care plan. When the opportunity for raising revenue for child care through a new tax was realized, the municipality was ready with a plan for how the funds would best be spent, including establishing a permanent trust fund for child care. Long-term commitment and planning paid off—the tax has been renewed by the voters for ten more years.

04 MULTIPLE APPROACHES, MULTIFACETED SOLUTIONS

It comes as no surprise that several states and localities appear in these profiles more than once as they attempt to address service availability and infrastructure simultaneously. This illustrates the efficacy of multiple approaches. Increasingly, both the services and the systemic elements necessary to support them are considered and funded together. Connecticut's School Readiness program, for example, integrates child care and preschool, funds state-wide systems for accreditation and professional development, includes facility financing and rests on a community-based approach to planning and service delivery.

05 LEADERS, PARTNERS AND NON-TRADITIONAL ADVOCATES

Many of the strategies presented here were developed by broad groups of individuals representing business, government, child care professionals and advocates, whether at the community, state or national levels. Child care experts and advocates listened to new perspectives on old issues and focused on different approaches to old problems. Higher education and housing experts eagerly rose to the challenge of finding innovative solutions and are now working with several states and communities to develop new financing strategies for child care.

Civic and business leaders can be influential child care advocates and powerful messengers for children in state legislatures. When civic and business leaders engage, they often do so after a lengthy education process, allowing child care advocates to play a behind-the-scenes role on financing measures. Child care advocates were not always present when financial measures were presented or finalized, but as a result of long-term efforts, their messages were [illegible]

However, not all communities are able to [illegible] tap their civic and business leaders. There are successful strategies that have relied almost exclusively on the leadership, persistence and expertise of the child care community and its close allies.

06 COMMUNITY VARIATION

There is a strong community theme in many strategies. These strategies recognize that child care is local and that conditions vary among communities. These strategies build in community assessment and explicitly target their funds in response to demonstrated community needs. Many also engage community residents in determining their own needs and building local capacity.

Many of the national and state strategies profiled here are also intentionally designed to be community-driven, responsive to unique local needs and resources. For example, the American Business Collaboration is national in scope, but it spends most of its funds in target communities on projects tailored to address local solutions. State government initiatives are designed to link state- and community-level players and base decisions on their input. North Carolina's Smart Start was among the first initiatives to take this approach, but there are now many others. California's Proposition 10 rests on community decision-making, as does Iowa's Community Empowerment Initiative, Connecticut's School Readiness Initiative, Massachusetts's Community Partnerships, and New York's Universal PreKindergarten program.

07 INVEST IN WAYS THAT DO NOT INCREASE THE COST TO FAMILIES

These financing approaches do not seek to shift additional costs to parents. Many strategies have sought new approaches to assuring that more parents, with higher incomes, can receive financial assistance for their child care costs. Rhode Island's entitlement program provides a state-based example, and Maryland's Montgomery County Working Parents Assistance and Trust Fund provides a county-based example. Other strategies have sought to provide support in a way that all families can benefit without means-testing. Vermont's accreditation bonus program for all of its programs illustrates the principle that the cost of better quality and improved learning outcomes for children cannot be borne exclusively by parents.

TOWARD A NEW AGENDA

The financing strategies that are documented in this book have much to suggest to us about next steps. These are strategies that are working: not only are the financing mechanisms viable, but each of these strategies also has had enough proponents to take hold in a local community, business or state. For the many readers of this volume who will seek to develop their own "next step" in child care financing based on the information presented, we recommend that careful consideration be given to the following.

MAXIMIZING REVENUE

This new version of the catalog devotes 33 of the 78 profiles—more than 40 percent—to strategies that take advantage of existing revenue streams to support child care. Child care policy makers are familiar with the well-defined child care funding streams, such as the federal Child Care and Development Fund. Other funds are now being used to support child care, ranging from federal programs such as Temporary Assistance for Needy Families and Medicaid, in which the states have substantial discretion, to state-driven appropriations in education, public health and crime prevention. Those seeking support for an improved approach to financing child care are advised to focus on maximizing revenue from the wide variety of existing funding streams.

EXPANDING REVENUE

Readers are encouraged to assess whether the full range of strategies that create new funding streams and generate new revenue have been carefully evaluated for feasibility in their communities. For example, Colorado has been leading the states in an effort to develop a corporate and individual tax credit that attracts greater private investment in child care. Other revenue methods, such as excise taxes, that have been used in other areas are being applied to generate funds for child care.

LEVERAGING

Matching and leveraging are consistent themes that run throughout many of the strategies, resulting in emerging principles such as "always leverage to increase the total." Public funds are often designed to be matched. In some cases, the match comes from local private funds such as United Way or employers (e.g., Honda's Child Care Partnership Act). Many of the community strategies pool funding and distribute funds through collaborative processes involving all community funders. The T.E.A.C.H. Early Childhood® Project in North Carolina leverages funds from many sources (child care providers, government and philanthropy) and is based on principles of shared funding and mutual commitment among the contributing partners.

DIVERSIFYING REVENUE FOR CHILD CARE

The communities and states that are often held up as the leadership models for child care have looked to a diverse array of financing strategies involving multiple financing techniques in the public sector. This approach reminds us that many types of financing interventions are needed (e.g., capital for facilities, financial aid for parents, education and professional development for teachers and directors, and operating support for programs).

Child care is under-financed. It lacks sufficient resources to deliver quality to children, affordability to parents and adequate compensation to teachers and providers. At the same time, the financing that is available is not structured to fully address these needs. Financing solutions must resolve these problems, with greater investment in child care from sources other than the families who use child care. A common theme in most proposed long-term solutions is that child care costs should be shared among all the beneficiaries — families, employers and society (meaning the civic and public sectors at all levels) — with each contributing a "fair share" in ways that leverage and extend the total investment of resources. Child care is evolving into a system that is both market-driven and publicly supported. An agenda for child care finance is emerging, focusing on deeper investment and more creative revenue strategies.

FOOTNOTES

1. In the Introduction and throughout this catalog, "child care" is used as an inclusive shorthand term to mean all types of education and care for children from birth through age 5, and programs for school-age children before and after school and during vacations. We believe the terms "child care," "early childhood education," "child development" and "early care and education" are interchangeable. For some, "child care" implies younger children, and other terms such as "school-age program" or "latchkey program" would be used when school-age children are involved. In the profiles, we have used whatever terms our informants used to describe their activities.

2. U.S. Census Bureau. (September 1995). "What Does It Cost to Mind Our Preschoolers?" In *Current Population Reports: Survey of Income and Program Participation, Fall 1993*. Washington, DC: U.S. Department of Commerce, Census Bureau.

3. Schulman, K. and G. Adams. (December 1998). *Issue Brief: The high cost of child care puts quality care out of reach for many families*. Washington, DC: Children's Defense Fund.

4. Cost, Quality and Child Outcomes Study Team. (1995). *Cost, Quality and Child Outcomes in Child Care Centers*. Denver: University of Colorado.

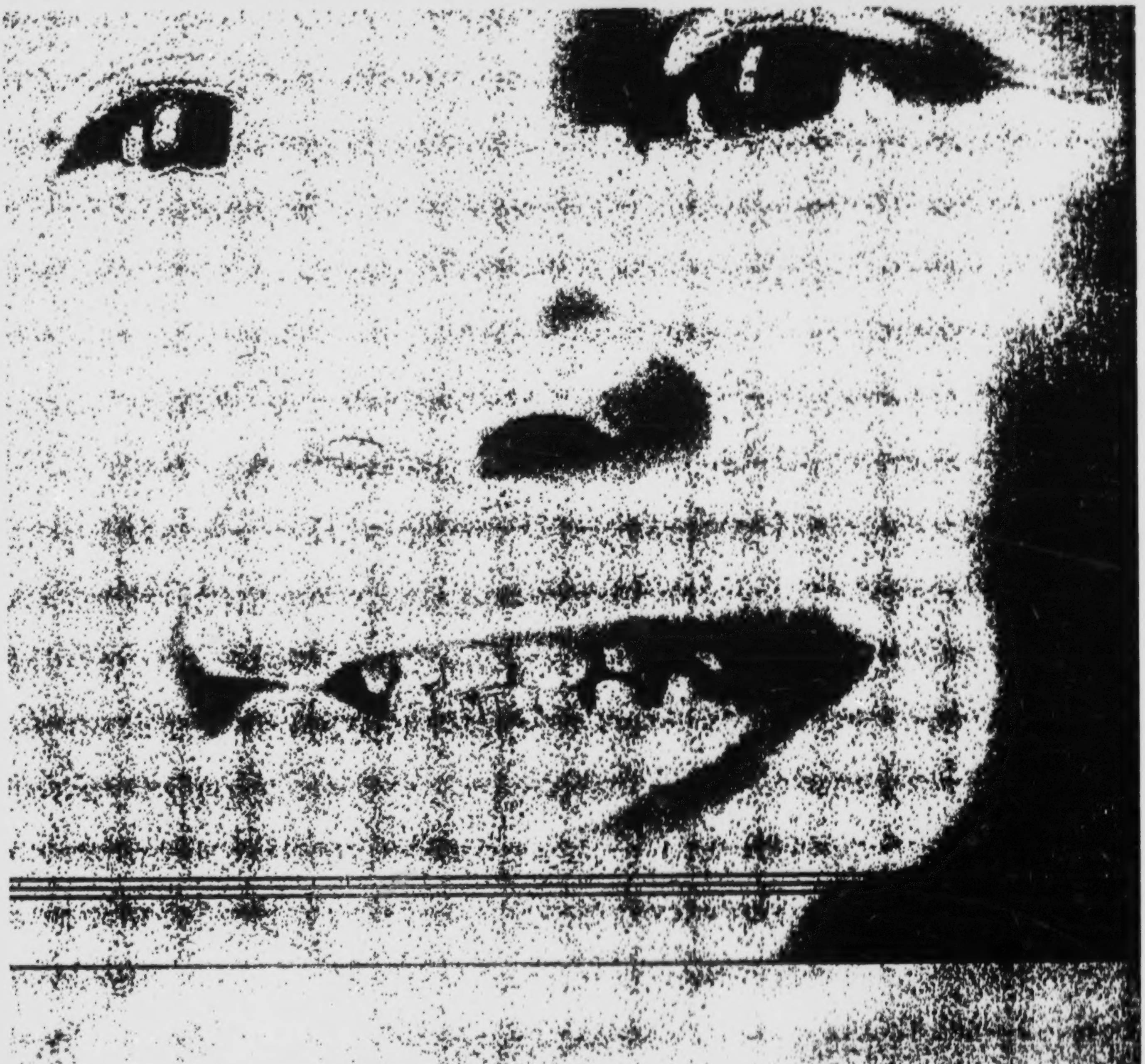
5. Stoney, L. and M. Greenberg. (1996). "The Financing of Child Care: Current and Emerging Trends." In *The Future of Children*, Vol. 6, No. 2. The estimates in the chart are based on data from this article. Most but not all of the expenditure estimates in the article were based on data for 1995. While some public funding has increased since 1995, so has the overall size of the industry, leaving the relative proportions unchanged.

6. Vast, T. (1998). *Learning Between Systems: Higher Education as a Model for Financing Early Care and Education*. Minneapolis, MN: Minnesota Early Care and Education Financing Partnership.

7. Barbett, S. and R. A. Korb. (1998). *Current Funds Revenues and Expenditures of Degree-Granting Institutions: Fiscal Year 1996*. Washington, DC: U.S. Department of Education, Office of Educational Research and Improvement, National Center for Education Statistics. Tables 1 and 2, pages [illegible]. Note: on the [illegible] higher education [illegible] expenditures for auxiliary enterprises, hospitals and independent operations have been excluded because these are not directly related to the production of [illegible].

8. Vast, T. (1998) and General Accounting Office. (August 1996). Higher education: Tuition increasing faster than household income and public colleges' costs (GAO/HEHS-96-154). Washington, DC: U.S. General Accounting Office.

9. Stoney, L. (1998). *Looking Into New Mexico: Lessons in Early Childhood Finance and Coalition Building*. Boston, MA: Horizons Initiative.



LOCAL PROPERTY TAXES

[illegible]

SALES AND EXCISE TAXES

[illegible]

STATE INCOME TAXES

[illegible]

TAX CREDITS, DEDUCTIONS AND EXEMPTIONS

[illegible]

FEES

[illegible]

LOTTERIES AND GAMING

[illegible]

GENERATING PUBLIC REVENUE

Federal, state and local governments generate revenue two ways, primarily through taxation and secondarily through fees. Taxes are assessed based on what you own (e.g., property taxes), what you spend (e.g., sales taxes) or what you earn (e.g., income taxes). Fees are payments for services you use or transactions you make. Fees can be charged to use a park, drive on a highway, acquire a marriage license, record a deed or buy a lottery ticket. State-sponsored gambling is in essence a fee charged for the purchase of a lottery ticket. At this time, fees are a smaller source of revenue for government than are taxes. Across the nation, states and communities find that lotteries and 'sin' taxes (e.g., on cigarettes or gambling) are far more popular than taxes on income or property. See the Appendix for a chart that summarizes basic information about revenue-generation methods at each level of government.

TAXES

Income taxes are the major source of revenue for the federal government and a significant source of revenue for those states with an income tax. Sales and use taxes are the most common way for states to generate revenue. States generate about 35 percent of their annual revenue from sales taxes and about a third from income taxes. Property taxes are the major source of revenue for local government, accounting for about 90 percent of annual revenue in most communities.

LOCAL PROPERTY TAXES

Property taxes typically are levied on the value of residential and commercial land and buildings. They may be levied by units of local government, such as the town, county and/or school district in which the property is located. One way to generate funds for child care is to increase property taxes and earmark the increase for this purpose. Seattle, Washington, took this approach. Another strategy is to earmark a percentage of existing local property tax dollars for children's services. San Francisco, California, took this approach.

Property taxes also may be levied by "special taxing districts," which are independent, usually single-purpose, units of local government. These districts are legal entities separate from general-purpose local governments such as cities, towns and counties, although they may share boundaries with a local government unit. Special districts are fiscally and administratively independent of local government. The special taxing districts for children's services in Florida counties are profiled in this section.

STATE AND LOCAL SALES TAXES

Sales taxes are the most common way for states to generate revenue. Sales taxes are assessed based on the price paid for tangible goods. Forty-five states have enacted state sales taxes. Some states levy the tax on all purchases, while others exempt certain types of goods. For example, food for home consumption is exempt in 26 states, prescription drugs are exempt in 43 states, and clothing is exempt in 6 states. Often, exemptions are an attempt to make sales taxes more equitable to lower-income taxpayers. Only three states levy sales taxes on services, although a relatively new challenge for states is to identify ways in which services, especially electronic commerce, can be taxed fairly.

In 33 states, local government units levy additional sales taxes. Local government also may levy additional taxes on items such as hotel room occupancy, restaurant meals or taxi rides. A few local governments have dedicated a portion of local sales tax revenues to child care. One of these, in Colorado, is profiled in this section.

EXCISE TAXES

Consumers who buy cigarettes pay excise taxes in addition to any sales tax. Tobacco taxes are meant to account for the "social costs" of smoking, such as increased medical costs. The federal government imposes an excise tax on cigarettes (35¢ in 2000, rising to 39¢ in 2002). States also tax cigarettes—Virginia has the lowest rate and New York the highest. In addition, eight municipalities tax cigarettes. Two states that have dedicated part of their tobacco taxes to children's services are profiled here—California, which supports early childhood development, and Indiana, which used to support school-age child care with a cigarette tax.

STATE INCOME TAXES

The public views state taxation of income to generate revenue as "fair," especially compared with either federal income taxes or local property taxes. Using the income tax reporting form, states often generate revenue for specific programs through a voluntary income tax checkoff. Forty-one states currently have tax checkoffs for more than 150 separate uses. The most common uses for the checkoff are political contributions, wildlife preservation and child abuse prevention. Others include elder care, Indian children, foster care and childhood disease funds. The only state income tax checkoff for child care, enacted in Colorado, is profiled in this section.

TAX CREDITS, DEDUCTIONS AND EXEMPTIONS

Individual income taxes are the number one source of revenue for the federal government. Forty-three states also tax individual income. At both the state and federal levels, the total revenue raised from individual income taxes is usually about four times larger than the total generated from corporate income taxes. Various credits (taken against taxes owed) and deductions (amounts subtracted from income before computing taxes owed) are allowed by federal and state tax codes.

PERSONAL INCOME TAX CREDITS AND DEDUCTIONS

The federal tax code allows a credit for some of the expenses of work-related child care. Twenty-six states and the District of Columbia also have child care income tax provisions – either credits (22 states and the District of Columbia) or deductions (four states) or both (the State of Maryland). Nearly all states link their child care tax provisions to some or all of the provisions of the federal child care credit. Nine states have no personal income tax, although one of these has a refundable child care credit provision (Alaska). Sixteen states levy personal income taxes but do not have childcare tax provisions.

In tax year 1997, the federal credit represented $2.5 billion in child care assistance for families and in resulting forgone revenue for government. The estimated total value of forgone state tax revenues from all state child and dependent care tax provisions is about 10 percent of the federal tax credit total, or roughly $250 million. The maximum benefit an individual family can realize from the federal credit is $1,440. The maximum benefit from a state child care tax provision ranges widely from a low of $25 in Louisiana to a high of $1,440 in Minnesota, Nebraska, Ohio and Oregon and $1,584 in New York.

Generally, state tax provisions allow claims for the same range of child care services as the federal credit. Any legal form of child care used so that the parent(s) can work is allowable: child care centers, nursery schools, family child care homes, nannies, relatives (as long as they are nondependents over age 18) and day camps (but not overnight camps). Arkansas and Maine are the only states that structure their tax credit to provide greater benefit to families who choose higher quality child care.

Because it is particularly generous and especially well designed to benefit lower-income families, the state of New York's income tax credit related to child care is profiled in this section. Oregon's tax credits also are profiled because they are unique responses to some of the problems inherent in the federal credit and state credits linked to the federal credit. Included in the New York description is summary information about selected aspects of the child care provisions in other state income tax codes. A chart detailing the characteristics of each state's child care tax provisions can be found beginning on page 35. While all states with credits also cover the care of adult dependents, the information in both the profiles and the chart focuses on the child care aspects of these tax provisions.

PERSONAL INCOME AND EMPLOYMENT TAX BENEFITS

The federal Internal Revenue Code allows employers who have established a written, qualified dependent care assistance program (DCAP) to exclude child or dependent care benefits provided to their employees, in an amount up to $5,000 per employee, from federal income, FICA and unemployment taxes. (In most states, these benefits are not subject to state income taxes either.)

The benefits may take several forms, including cash, a voucher, or free or subsidized care in an employer's or other child care facility. Most commonly, however, a DCAP is established as a salary reduction plan, whereby employees are permitted to set aside up to $5,000 from their annual pre-tax salaries for child or dependent care expenses. Specifically, the employee's pay is reduced by the amount the employee designates (sometimes subject to an employer limitation), and this amount is returned to the employee in the form of reimbursement for child care or dependent care expenses. The value to the employee is that he or she does not have to pay income or FICA taxes on the amount of the salary reduction. The value to the employer is that it does not have to pay FICA or unemployment taxes on this amount. If the employee does not use the full amount of the salary reduction for child care or dependent care expenses, however, he or she loses the right to the money, so care must be taken in designating the amount of the salary reduction. The employer also must ensure that neither this nor any other form of DCAP discriminates in favor of highly compensated employees.

The tax benefits provided by a DCAP generally are worth more to higher-income than to lower-income employees, since the former are usually in higher tax brackets. Therefore, if an employer offers only a pure salary reduction plan, the DCAP will be more beneficial to higher-income employees, since the value of a salary reduction plan lies solely in its tax benefits. If, however, the employer itself contributes to the DCAP (for example, by matching amounts reduced from an employee's salary or by providing child care vouchers), these contributions will be as beneficial to lower-income as to higher-income employees, or – depending on the way the DCAP is structured – could be even more beneficial to lower-income employees. Bank of America's Child Care Plus program is profiled as an example of a child care benefit structured to help low- and moderate-income workers take advantage of this tax benefit.

EMPLOYER INCOME TAXES

Twenty–five states provide some sort of income, privilege, or franchise tax assistance to employers who provide or pay for child care for their employees, on top of any tax benefits an employer may get from a DCAP or (in some instances) from deducting child care assistance to employees as a business expense. While provisions vary widely from state to state, typically the assistance is in the form of a credit against the employer's income taxes, equal to a percentage of the employer's expenses in creating a child care center, operating a child care center, purchasing child care for employees, or reimbursing employees' child care costs. The maximum credit available to an employer is most often limited to a specific dollar amount.

The number of states offering employer tax credits for child care has nearly doubled since 1989, and a similar credit has been repeatedly proposed – although not enacted – at the federal level. As detailed in a forthcoming report from the National Women's Law Center "Making Child Care Less Taxing," evidence indicates that they have been little used at the state level, suggesting they may not be an effective incentive to employers to fund child care. For instance, in Mississippi in 1999, out of 57,294 corporate tax returns filed, only six corporations claimed the state credit, which is equal to 50 percent of an employer's child and dependent care costs. That year only three corporations claimed Montana's credit, equal to 20 percent of an employer's costs in providing child and dependent care assistance up to $1,250 per employee. Such low numbers suggest that not only are the credits failing to encourage employers to fund child care, but that employers who are already providing child care assistance are also not taking advantage of the credits. Overall, state credits have resulted in relatively small amounts of money for child care; state tax expenditures for these provisions range from a high of $5.7 million in California to a low of zero in several states.

Because traditional employer tax credits have so far demonstrated little potential for funding child care, we have chosen to profile a Colorado tax credit that approaches the problem slightly differently, permitting any taxpayer (whether a business or an individual) to claim a credit for contributions to child care.

OTHER TAX INCENTIVES

To encourage economic development, states and more often localities offer tax abatements, exemptions and other incentives for various purposes, such as to attract or retain employers, encourage construction or stimulate other forms of development. An example from Maine is profiled here. Maine permits municipalities to establish a development district, called a "tax increment finance district," and use the local taxes collected within that district for specified development purposes. Since 1999, child care has been specifically included as a development purpose.

FEES

Federal, state and local governments generate revenue principally through taxation, but also by imposing fees. Fees are payments in exchange for services, such as admission to a park, tuition at the state university or tolls on a bridge. Payment of fees is somewhat voluntary on the citizen's part, since using the service is a matter of choice. Taxes are distinguished from fees, since by their nature taxes are compulsory.

FEES

There are three main categories of fees: impact, service and enterprise. Impact fees anticipate the need for government services (e.g., roads, water, schools) that will result from actions taken by the private sector that will cause population growth, and are intended to offset their costs. Service fees shift the cost (or part of the cost) from government to the user of a public service (e.g., mortgage/deed records, garbage collection). Impact and service fees also are referred to as "exactions." Enterprise fees are generated from a self–supporting enterprise created by government (e.g., a municipal golf course, a national park) for which fees can be charged. The profits generated by the enterprise can be used for other government expenses.

Fees are typically charged to cover all or part of the cost of providing a service, such as producing birth certificates or granting licenses to practice an occupation. As with an income tax checkoff, the fee collection procedure may include an opportunity to make contributions for a specific purpose. Kentucky allows people requesting or renewing registration of a motor vehicle to donate to a child care assistance fund. Fees may be charged for the use of a public facility, such as a park or swimming pool, or for a particular public service, such as garbage collection or water. The County of Santa Cruz requires new building developments to pay fees related to their anticipated impact on child care. These fees partially fund a child care loan program profiled here. Fees may be generated by one enterprise and used to fund another activity. For example, Massachusetts uses revenue generated from vehicle license plate fees to support a fund for child care improvement.

LOTTERIES

STATE LOTTERIES AND GAMING FEES

State-sanctioned gambling and revenue from taxes and fees on gaming appeal to public policy makers as less painful (i.e. more acceptable to voters) alternatives for generating revenue than does direct taxation.

Gambling in various forms is a growing source of state revenue. At the beginning of this century, all states had outlawed gambling. In 1931, Nevada legalized gambling; in 1976, New Jersey allowed casino gambling in Atlantic City. Now, Indian tribes operate casinos on tribal land within many states and other entities operate casinos in various forms in ten states (Colorado, Illinois, Indiana, Iowa, Louisiana, Missouri, Mississippi, Nevada, New Jersey and South Dakota). States impose taxes on receipts from gaming and may also impose fees such as for admission and for annual licenses to operate. In 1996, the states with casino gaming received nearly $2 billion in state revenues from gaming. Missouri, which dedicates a portion of its gaming revenue to early childhood development, is profiled here.

Lotteries are popular vehicles for states to finance education — 13 states have lotteries whose stated purpose is funding education. In 1964, New Hampshire established the first state-sponsored lottery; last year lottery votes failed in South Carolina and Alabama. At present, 37 states and the District of Columbia sponsor lotteries. In 1998, states realized total profits of $12 billion from total lottery ticket sales of $35.8 billion.[1] On average, 33 percent of lottery sales is transferred to government as profit, 13 percent is used to cover operating expenses and commissions, and 54 percent is used to pay prizes.[2] Ten states deposit lottery profits in the general fund. The remaining states "earmark" lottery profits for a specific purpose, including: education (California, Florida, Georgia, Idaho, Illinois, Michigan, New Hampshire, New Jersey, New Mexico, New York, Ohio, Texas, West Virginia); state building funds (Idaho, Kansas, Maryland, South Dakota); economic development (Arizona, Kansas, Oregon); parks, natural resources and the environment (Colorado, Minnesota, Nebraska, West Virginia); senior citizen services (Pennsylvania, West Virginia) as well as transportation, law enforcement, prisons and property tax relief.[3] Earmarking lottery profits does not guarantee, however, that these funds will be used to increase or improve services. In many cases, earmarked lottery profits are used to replace general fund dollars that are reallocated to other programs. One of the two states that use lottery funds to support a prekindergarten program — Georgia — is profiled in this section.

A NOTE ON TAX STRATEGIES AND THE POWERS OF GOVERNMENT

Many of the innovative mechanisms for financing child care profiled in this catalog involve taxes: new taxes, tax earmarks and tax credits. While it is not necessary to be a tax expert to understand and consider any of the mechanisms described in this book, there are certain tax basics that readers should understand. As the editors of *The Encyclopedia of Taxation* note in their introduction, "the issues of taxation and tax policy combine the best human motives — paying for services that people privately have no incentive to offer — and what some would call the worst social organization — using the power of government to commandeer part of individuals' income for collective pursuits."[4]

Historically, states have been responsible for the health, safety and welfare of their citizens (as contrasted with the federal government, which is the protector of citizens' national rights, e.g., voting, speech). Thus, states are free to tax their citizens as much as their elected officials are willing to allow. The role of citizens in determining taxation varies among states, with about half allowing citizen ballot initiatives.

Significantly, many of the mechanisms described here were initiated at the local level, and local governments have only as much power as is granted to them by their states. In considering a local revenue-generation mechanism, one must first determine whether the locality has the authority to implement it. Across the country, not all localities share the same rights or authority. Under state and local government law, the simple rule is that the local government can do anything that the state permits it to do and nothing more. Thus, state legislatures decide which aspects of health, safety and welfare can be the responsibility of their localities.

Authorization for localities to act in a specific area can come in one of two ways: expressly through state legislation or through "home rule." Historically, home rule emerged from localities that wanted self-government in areas that seemed classically local in character (e.g., fire-fighting, education, land use zoning). In response, many states began to grant specific powers to their localities. Today, the two sources of local power, enabling legislation and home rule, are not a dichotomy but identify points on a continuum. Most states have elements of both models; however, each state is different. Some states have granted ultimate decision-making power to localities on issues that have been deemed "local" (e.g., Colorado), and others have reserved the power to preempt local decisions (e.g., Massachusetts).

When considering any of the public revenue mechanisms described in this catalog, it is important to know where a state fits on the home rule continuum, what powers citizens have to put initiatives on the ballot, and what, specifically, localities are authorized to do.

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[1] *La Fleur's Lottery World: 1998 Fast Facts*, page 13.

[2] National Conference of State Legislatures. (March 11, 1999). *Economic and Tourism Development: Lotteries in the United States*. Denver: NCSL. www.ncsl.org/programs/econ/lotto.htm

[3] National Conference of State Legislatures. *Legisbrief*. Vol. 3, No. 25. June/July 1995.

[4] Cordes, J. et al. (1999). *The Encyclopedia of Taxation and Tax Policy*. Washington DC: Urban Institute Press.

LOCAL PROPERTY TAXES

CHILDREN'S SERVICES SPECIAL TAXING DISTRICTS (FLORIDA)

DESCRIPTION

By Florida state statute, a children's services district may be officially created by a county by action of the county government (board of county commissioners), have boundaries coterminous with the county's and have a governing board of 10 members. In Florida counties, a district board also may be called a children's board, a children's services council (CSC) or a juvenile welfare board.[1]

Twenty-five of Florida's 67 counties have established district boards. Nine of these are independent and unfunded entities; 10 are county-funded entities; and six are independent boards with taxing authority. The six with taxing authority are the counties of Hillsborough, Martin, Okeechobee, Palm Beach, Pinellas and St. Lucie. Profiled here are Hillsborough County (population 894,000) and Palm Beach County (population 961,000).

WHEN ESTABLISHED

At the urging of advocates in Pinellas County, the Florida Legislature passed a local bill in 1945 allowing that county to establish a special district for children called a "juvenile welfare board" and to levy a property tax subject to referendum. In 1946, the voters of Pinellas County approved (by an 80–20 ratio) both the board and its taxing authority. In 1990, county voters approved raising the district's maximum millage rate from 50 cents to $1 per $1,000 of assessed valuation.

In the 1980s, advocates in Palm Beach County resolved to try to establish a special independent taxing district for children in their county. With help from advocates across the state, they were able, in 1986, to have the Florida Legislature pass the Juvenile Welfare Services Act (with only one dissenting vote). Effective October 1, 1986, the law allowed any county to create a special district for children's services with a governing board and the authority to levy taxes. On November 4, 1986, the voters of Palm Beach County approved the children's services council taxing authority by a 70–30 ratio. Two other counties attempted to establish districts with taxing authority that year and failed (Polk and Sarasota).

The Children's Board of Hillsborough County and the Children's Services Council of Martin County were established and granted taxing authority by county referendum in 1988. The Children's Services Councils in St. Lucie and Okeechobee counties were established with taxing authority in 1990.

ANNUAL AMOUNT

If the district board is to raise revenue through taxation, the board of county commissioners must put before the voters a referendum authorizing the district to collect property tax not to exceed 50 cents per $1,000 of assessed valuation. Florida has a $25,000 Homestead Exemption, which means that the first $25,000 of assessed value is not taxed. If taxing authority is granted by majority vote in the referendum, the district must prepare an annual budget that includes the millage rate needed to raise the budgeted revenue. This budget is submitted to the board of county commissioners each year by July 1. The Florida statute specifically states that the county board (or any other local authority) may not modify the district board's submitted budget. The law also provides that after one year of operation of the board, the county may choose to fund the children's services budget from county revenue.

Each county sets its millage rate annually within the statutory limits of 50 cents per $1,000 of assessed property value for all but Pinellas, which is $1.

Hillsborough. In FY1999 (October 1, 1998, through September 30, 1999), the Children's Board of Hillsborough County (CBHC) generated $13.5 million on a millage of .417 per $1,000. Homeowners with an $85,000 home (the average assessed value of a home in Hillsborough County) paid $25.02 for children's services. Of the $13.7 million total, $10.3 million (75 percent) is allocated to children's services, about 20 percent of which is child care related.

Palm Beach. In 1999–2000, the Children's Services Council of Palm Beach County had a budget of $37.54 million, based on a proposed millage rate of .4696 per $1,000. Of that amount, $8 million was for child care. Included in the child care amount was $442,000 in local match, $3.4 million in subsidy, and $400,000 for the Child Care Investment Fund.

SERVICES FUNDED

The Florida statute authorizing juvenile welfare services specifies broad areas related to juveniles and to the general welfare of the county: mental health, direct care and any services operated for the benefit of juveniles (except those under the exclusive jurisdiction of the public school system). The statute also specifies that boards can collect and use data and consult with other agencies dedicated to the welfare of juveniles to prevent overlapping services. Each CSC identifies community issues within its county and promotes and develops programs in response. Child care is funded by each of the boards in differing amounts and directed toward two major purposes: improving the quality of child care and reducing the number of children on the waiting list for subsidized child care.

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[1] Because such a governing board is commonly referred to as a Children's Services Council (CSC), these profiles often refer to CSCs.

Hillsborough. The Children's Board of Hillsborough County spends about 20 percent of its program funds on child care, supporting both quality improvement and subsidies. Quality improvement includes accreditation support and child development associate (CDA) training ($227,000) and support and training for family child care providers ($200,000). Subsidies are funded through the YMCA and used to match state and federal funding for child care vouchers. New funding for child care programs is awarded to agencies through an application process. Grants awarded may continue for up to five years.

In addition, grants have been provided to child care centers to match state or federal funds, to offer additional services to children with special needs and to obtain accreditation.

Palm Beach. The Children's Services Council of Palm Beach County has funded quality improvements and child care subsidies and has provided a match for federal funds for both child care and Head Start. Included in the child care amount was $442,000 in local match, $3.4 million in subsidy, and $400,000 for the Child Care Investment Fund. Designed to reduce the numbers of eligible families waiting for subsidized child care in the county, the fund serves as a pool for contributions generated by local businesses and the local Children and Family Services Office. The waiting list for subsidized child care has been reduced from more than 8,000 in 1996 to 1,400 in 1999.

The remainder of the child care funding was designed to improve quality and increase parental involvement in their children's learning. Between 1998 and 2000, the number of accredited child care centers increased from three to approximately ninety. In addition, the CSC budget included $4 million for programs for school-age children, to provide programs and activities during summers, school holidays and other times when children are not in school.

The CSC helped create an Out-of-School Consortium, composed of experts in various fields of leisure activities, to enhance the quality and quantity of school-age child care.

The CSC also began two major studies via contracts with universities and foundations. One focused on the ways in which welfare reform was impacting Palm Beach children. The other addressed the overrepresentation of minorities in special education classes in the county.

HOW FUNDS DISTRIBUTED

Each Children's Services Council must prepare an annual budget for submission to the county Board of Commissioners by July 1 each year. All the CSCs conduct a community needs assessment with annual updates, which are used to set priorities.

Hillsborough. The Children's Board of Hillsborough County organized its efforts during FY1999 (October 1, 1998, through September 30, 1999) around several major funding categories: 1) collaborative initiatives; 2) primary prevention, with an emphasis on reduction of teen pregnancy; and 3) community and neighborhood support. Several smaller funding categories focused on providing required matching dollars for grants from other funding sources; supporting educational workshops and conferences; assisting with accreditation; and encouraging analysis and planning projects. Applications in all categories must be directed toward achieving priority outcomes focused on children from birth through age 17, with particular emphasis on birth through age 12. Five outcome areas are: 1) healthy births (prenatal through infancy), 2) school readiness (preschool), 3) school success (school-age), 4) positive social and school adjustment, and 5) optimal development (all stages of childhood).

The CBHC often works in partnership with other community funding partners, such as United Way, Hillsborough County Government, the Community Foundation and the School District, to jointly fund analyses of critical issues and collaborative initiatives designed to address the findings and recommendations of the analysis project. Distribution of funding for these projects occurs primarily through targeted requests for proposals (RFPs), based on the recommendations of community review teams.

As the result of extensive community analysis and planning activities, new primary prevention funds for FY2000 (October 1, 1999, through September 30, 2000) in the amount of $1.66 million were earmarked for child care and child welfare activities. The CBHC is seeking to create primary prevention service arrays throughout the county and in high-risk zip code areas to provide enhanced front-end services.

The development of a system-wide comprehensive plan for early child care and education, to ensure that all children in Hillsborough County are ready to learn when they enter school, was a major priority of the board. The CBHC plans to work closely with the legislatively mandated Hillsborough County School Readiness Coalition, currently being established, to achieve that goal. In deference to the planning and start-up period of the initiative, a typical deadline-oriented RFP process was not used. However, throughout FY2000, proposals were being accepted on an ongoing basis, in response to expenditures recommended by the School Readiness Coalition, or in support of an RFP process developed by the coalition.

A long-term, five-year commitment by the CSC is envisioned for child care related projects within this targeted category. Continuation of funding will be based on performance and outcome assessments; a flexible annual review of funding requirements; and consideration of changing community needs and priorities related to the improved accessibility, availability and quality of the early child care and education system in the county.

Palm Beach. Until 1996, the Children's Services Council (CSC) of Palm Beach County organized funding allocation within ten categorical funding priorities identified in a community needs assessment. In 1996, the board adopted a focus on prevention and early intervention to promote successful child development to strengthen families and communities. The funding focus followed developmental stages: birth to 5, 6 through 11 and 12 through 18, with a primary focus on children from birth through early elementary school-age. The long-term goal is a family-centered, neighborhood-based service delivery system.

By the 1997-98 funding cycle, the CSC's goal was to commit 45 percent of all funds to services for children birth to 5 and 19 percent to out-of-school activities of elementary school children ages 6 through 12. The remaining funds were allocated to preventing pregnancy and HIV infection in adolescents (12 percent), strengthening families (17 percent), and building neighborhood capacity and services (7 percent). The primary strategy for the birth-to-5 age group focused on comprehensive services for children, building services around the core program in child care centers, family child care homes and home-based family literacy programs. Universal home visiting to families with newborns was a long-term goal. The intent of the new focus was that, rather than funding discrete services, funds would follow a child and family, and community agencies would collaborate in serving families. The transition from categorical to prevention-focused allocations was expected to take three years.

To apply for funds, community agencies respond to a request for proposals aligned in the past with the categorical service areas and requiring proof of collaboration with other community agencies. (The prevention focus affected the RFP process beginning with1996-97.) CSC staff review all proposals and interview the applicants. Staff then recommends an allocation plan to the CSC board for approval.

POPULATION SERVED

The CSCs can focus on all "juveniles" in a county, defined as children from birth through age 18, although some counties narrow the age range somewhat. For example, both Hillsborough and Palm Beach place emphasis on children from birth through elementary school-age.

STRATEGIC CONSIDERATIONS

- One of the perceived strengths of CSCs is their focus on all children and their mandate to involve in governance the key systems in a county. CSCs are viewed by agencies as an effective way to minimize "turfism" and use local resources efficiently. This way, the key players are all at the same table, looking at the whole child in a family and community context.
- The mandate to do community planning is an important feature. It promotes long-term thinking that goes beyond one fiscal year.
- CSCs generate a new source of local funds, which can be allocated flexibly according to community needs. This increases the initiative and responsiveness of local children's services organizations.
- As an extension of their own efforts toward using funds efficiently, CSCs often partner with other community funders (e.g., United Way, school districts and community foundations) in planning and funding. This focuses funders toward shared goals and outcomes.
- CSCs educate citizens about children's issues and create stronger constituencies for children. For example, both Hillsborough and Palm Beach publish their annual reports as supplements to their local daily newspapers. CSCs become the hub of child advocacy in a county, broadening the constituency of advocates and concentrating efforts. As CSCs become the trusted source of information about children, they also become more powerful political forces at the state level. Some county legislative delegations essentially support what their CSC recommends regarding child and family policy.
- There is no evidence of state revenue decline related to the counties' establishing children's services taxing districts.
- Counties that succeeded in establishing CSCs and authorizing taxing used a political campaign framework for their referendum campaigns. They used respected civic leader support and peer-matrix approaches, which involve having senior citizens talk to other seniors, businesspeople campaign to other businesspeople, and families with children organize other families with children.
- Campaigns that failed often used less-effective spokespeople (e.g., service providers who were viewed by the voters as self-serving because their agencies ultimately would benefit financially). Unsuccessful campaigns also did not recognize opposition forces early enough and failed to strategically address the opposition's concerns.

- Some believe the term "juvenile welfare" has negative connotations to the voting public. The term in common use now – "children's services" – conveys a positive message.
- The timing of a referendum – on a primary ballot rather than a general election ballot – can affect its passage. Primaries often have lower voter turnout, so the numbers of targeted referendum supporters voting can have a greater cumulative effect.
- The tax climate has changed significantly since the 1980s, making the passage of new taxes potentially more difficult. Advocating moderate spending on early prevention to avoid costlier items such as prisons may be effective.
- Florida has enacted statewide school readiness legislation to integrate all early childhood programs and create a uniform system. The legislation requires the development of local coalitions to promote school readiness, and to coordinate funding, services and other resources. The composition of the local coalitions includes representation from Children's Services Councils in those counties that have established them. For more information, contact The Florida Partnership for School Readiness, (850) 488 0337.

OTHER SITES WITH SIMILAR STRATEGIES

No other examples of this strategy are known.

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CHILDREN'S SERVICES FUND: PROPOSITION J (SAN FRANCISCO, CALIFORNIA)

DESCRIPTION

Through a public referendum (Proposition J), San Francisco's city charter was amended in two ways. First, a baseline of funding for children's services (a level below which funding could not fall unless there was a decrease in aggregate city appropriations) was established. Second, a percentage of local property tax dollars was set aside for children's services. The set-aside was $.0125 of every $100 of property taxes during the first year and $.025 of every $100 for the remaining nine years.

WHEN ESTABLISHED

Proposition J was passed in November 1991 and was scheduled to remain in effect for 10 years. It was being placed on the ballot again in 2000 for a 30-year period, with an increased set-aside of $.03/$100.

ANNUAL AMOUNT

The baseline stands at $50 million. The set-aside generated $18.3 million in FY1999-2000. Of the set-aside funds, 25 percent was reserved for child care, which amounted to about $4.5 million to support child care and early education services in FY1999-2000.

SERVICES FUNDED

The set-aside funds, referred to as the Children's Fund, are allocated into four broad categories, each receiving 25 percent of available dollars: 1) child care, 2) health and social services, 3) job-readiness and 4) delinquency prevention, education, libraries and recreation. The Children's Fund cannot be used for law enforcement services, the purchase of property or for any service that benefits children only incidentally or as members of a larger population including adults.

Funds from the four categories are allocated to: 1) early childhood development (targeting children from birth through age 5), 2) youth development (targeting children and youth from ages 6 through 17) and 3) family support (targeting families with children of all ages). The $4.5 million in child care funds for 1999-2000 was used to sponsor health insurance for child care teachers, to increase Head Start "wrap-around" services, to create full-day full-year programs, and for other related early childhood development activities.

HOW FUNDS DISTRIBUTED

The Children's Fund is administered by the Mayor's Office of Children, Youth and Their Families. MOCYF is responsible for developing a children's services plan, issuing a request for proposals to community-based organizations, staffing a Citizen Allocation Committee to review proposals, negotiating contracts for services provided by community agencies and city departments, monitoring contracts and working with an independent organization to evaluate funded programs. About 90 percent of the child care funds are distributed to community-based organizations.

POPULATION SERVED

The Children's Fund is limited to serving children and youth under the age of 18. Child care funds are targeted for two groups: children under 6 and children 6 to 18, with priority given to serving children from low-income families. Families throughout the city benefit.

STRATEGIC CONSIDERATIONS

- Amending the city charter through a public referendum (rather than having the city council pass legislation) is a costly and labor-intensive process. Thousands of signatures must be obtained just to get the referendum on the ballot. Once on the ballot, the referendum must be approved by a majority of voters. A referendum can, however, be an excellent way of organizing the citizenry around children's issues in general as well as passing a specific amendment. Coleman Advocates for Children and Youth, the lead organization in the effort to establish the Children's Fund, carefully weighed the costs and benefits of the referendum process and decided the results were worth the effort. In addition to engaging the public around children's issues, Proposition J sought to end the annual budget battles over funds for children's services, mandate a change in public priorities, and institutionalize the protection and expansion of expenditures for children.
- Proposition J sets aside funds for a broad array of children's services — not just child care or early education — and was therefore able to garner a broad base of support.
- The mandated baseline and set-aside makes annual budget battles unnecessary.
- The law was carefully drafted to ensure that baseline funds would not be supplanted and that the new funds for children's services would be used for new programs. Even with an established baseline, however, funds can be shifted. For example, child care funds could be shifted to child health care, since both are in the baseline.

- Planning for effective use of the funds was not built into the proposal, and political pressure made it difficult to take the steps necessary to ensure maximum impact.
- The opposition raised concerns that Proposition J was "bad government," "ballot-box budgeting" and "special-interest politics." Opponents included the business community (which saw it as an effort to increase public spending) and, at the outset, most elected officials (because the amendment would tie their hands in terms of spending).
- In the end, passage of the referendum reinforced the notion that children are a concern to the entire city of San Francisco. Outreach constantly linked the problem (children need support) with the solution (Proposition J) and helped to increase public education on children's issues.
- The Children's Fund has helped to leverage other public and private support, including funds from national and local foundations, the San Francisco school district and the federal government.
- The 10-year "sunset" provision allows the issue to be reviewed in the future and, along with a two-year "phase-in," made the proposal seem more reasonable at the time it was originally placed on the ballot. The Children's Fund was slated to appear on the ballot once again in 2000, with minor modifications in the original design, and minimal opposition was expected. The tax would increase to $ .03 per assessed valuation, and the means to increase spending, based on an increased percentage of children in the population, would be provided. A three-year planning cycle would be established, from which would emerge a Community Needs Assessment and a Children's Services and Allocation Plan. The new measure, if approved by the voters, could fund: affordable child care and early education; recreational, cultural and after-school programs, including arts programs; health services, including prevention, education, mental health, and prenatal services to pregnant women; training; employment and job placement; youth empowerment and leadership development; youth violence prevention programs; youth tutoring and educational enrichment programs, and family and support services for families of children receiving other services from the fund. The measure would remain in effect through June 30, 2031.

OTHER SITES WITH SIMILAR STRATEGIES

Oakland, California, passed a similar measure involving smaller sums of money. Communities considering a children's budget set-aside program should explore a variety of methods of enacting it, including legislation.

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FAMILIES AND EDUCATION LEVY (SEATTLE, WASHINGTON)

DESCRIPTION

The Families and Education Levy raises property taxes. During the first phase, 1990–97, the money raised was divided equally to support: 1) early childhood development, 2) school-based student/family services, 3) comprehensive student health services and 4) children and youth out-of-school activities. With the renewal of the levy in 1997, a stronger emphasis was placed on middle schools and middle school students.

WHEN ESTABLISHED

In 1990, voters approved the Families and Education Levy, which was established through 1997. Then 70 percent of voters approved its renewal for 1997 to 2004.

ANNUAL AMOUNT

The Families and Education Levy set a millage rate of .23 per $1,000 of assessed property value. The maximum annual amount has been $15 million, and the average annual revenue has been $10 million. During the 1997–98 school year, $1.5 million of levy funds were spent on early childhood subsidies, family centers and parenting education. The 1998–99 spending was 2 percent higher.

SERVICES FUNDED

The levy funds used for child care are primarily directed to ongoing services and supports, including Seattle's child care subsidy fund and the city's child care training. New activities are also funded. Examples include family support centers, school wellness centers and The Business Initiative, which works to build partnerships among area businesses and child care programs.

In 1998–99, $525,000 was directed to subsidies for families with school-age children. A total of $1 million of the levy funding was being spent for after-school programs operating in middle schools for four or five days per week. In addition, $675,000 was used for Seattle youth who were involved with gangs or at risk for gang involvement. An additional $1 million annually was allocated for schools with middle school-age children, to help them better meet the developmental needs of this age group.

HOW FUNDS DISTRIBUTED

Levy funds are administered by the City of Seattle through its various operating departments. No more than 5 percent of levy funds can be used for administrative expenses of the city and/or the school district. Levy funds are distributed through contracts with the school district and nonprofit agencies. A Request for Proposals process is used to select providers for out-of-school activities. Agencies receiving child care subsidy funds must meet the city's quality standards to participate in the program.

A Levy Oversight Committee – including the mayor, the superintendent of schools and representatives from the city council, school board and the community – is responsible for making budget and program recommendations, reviewing performance annually and issuing reports on the effectiveness of levy-funded programs.

POPULATION SERVED

The general limitation is geographical, with only residents of Seattle eligible for levy-funded services. Seattle's child care subsidy program is designed to serve families who are above the eligibility limits for state-funded child care subsidies. City subsidy funds are available for families with incomes up to 80 percent of the state median income whose children are cared for by providers who meet the city's licensing and quality standards.

STRATEGIC CONSIDERATIONS

- The Families and Education Levy emerged from Mayor Norman Rice's community education summit in the spring of 1990, which engaged more than 2,000 citizens in discussing ways to improve education in the city. The summit participants recognized the relationship between children's lives outside of school and their school experiences. Thus, the levy proposal addressed school-readiness, health, children's out-of-school time and support to families.
- The original plan for levy funds recommended an allocation of $2.2 million for child care ($1.65 million in child care/early education and $550,000 for after-school programs for elementary school students). This level has remained consistent over time.
- Levy funds increase the city's financial commitment to children (and child care). The levy funds used for child care services primarily are additional funds to extend currently successful programs. New initiatives are undertaken as needed and build on existing community capacity.

OTHER SITES WITH SIMILAR STRATEGIES

The City Council of Santa Fe, New Mexico, established a Children and Youth Fund for FY2000-01. A budget of $830,000 funds 37 programs, pursuant to a Children and Youth Strategic Plan adopted in 1999. For more information, contact Lynn Hathaway at (505) 955 6678.

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SALES AND EXCISE TAXES

DEDICATED SALES TAX (ASPEN, COLORADO)

DESCRIPTION

In 1990, voters in the City of Aspen enacted a provision to add .45 percent to the local sales tax and dedicate this portion for the purposes of affordable housing and child care.

WHEN ESTABLISHED

The dedicated sales tax was established in 1990, when voters approved a referendum raising the city tax from 1.25 percent to 1.7 percent. It was renewed in May 1999 with two-thirds of voters approving the measure. The .45 percent tax will now remain in force until June 30, 2010.

ANNUAL AMOUNT

The total sales tax collected in the City of Aspen is 8.2 percent, which consists of 3.0 percent state of Colorado sales tax, 3.5 percent Pitkin County sales tax and 1.7 percent City of Aspen sales tax. Of the Aspen portion of the tax, .45 percent is set aside for child care and affordable housing.

Receipts from the dedicated portion of the local sales tax were estimated at $1.75 million for 2000, which exceeded the original projection. Each year, the city council decides how to allocate revenue from the dedicated sales tax to each purpose (child care and affordable housing) when approving the annual city budget.

Since 1992, the city council has acted to place 20 percent of annual receipts from the dedicated sales tax into a Child Care Trust Fund. The trust is designed to generate interest income to be used for child care projects after 2010 (when the tax expires). In 1996, the city budgeted a $240,000 contribution for the trust fund, which contained $1.13 million at the close of 1996. In 2000, the estimated contribution to the trust fund was $349,000, and the trust fund itself had grown to a principal balance of $2.75 million.

The city council funds child care programs and services and affordable housing using the remaining 80 percent of dedicated sales tax receipts, which vary from year to year. In FY2000, almost $360,000 was to be used for child care services.

SERVICES FUNDED

Three categories of child care services are supported through the sales tax: 1) child care resource and referral services, 2) grants to nonprofit centers for capital improvements and subsidies for infant/toddler programs and 3) child care tuition assistance for low-income working families.

In 2000, Kids First, the local child care resource and referral agency, was to receive a contribution of $58,800. The total expenditure in the 2000 budget was $300,000 for contributions to nonprofit organizations and tuition assistance for families. Tuition assistance was targeted to families above the income eligibility cut-off for state child care subsidies.

HOW FUNDS DISTRIBUTED

Kids First is a public city-funded agency that provides child care resource and referral services to the community and administers Aspen's child care funds. The city council appoints the board of directors of Kids First. This board sets priorities for child care funding and makes an annual recommendation to the city council on the budget amounts for Kids First operation, child care grants and the tuition assistance program.

The KidsFirst board oversees the grant application process, reviews requests from nonprofit organizations and makes a recommendation to the city council for funding.

A board composed of bankers and one member of the Kids First board sets tuition assistance levels and reviews applications. Families can apply at four times during the year. Applicants have to certify their income, work status and residence or place of work. Subsidies range from $4 to $15 per day, based on a sliding scale that takes into account family size and income level. Assistance continues as long as the family remains eligible.

POPULATION SERVED

Any nonprofit child care organization in the Aspen area is eligible for the child care grants program. Child care centers, associations of directors and associations of family child care providers have all received funds.

Any low- or moderate-income family who uses child care for work-related reasons and lives or works in Pitkin County is eligible for the child care tuition assistance program.

STRATEGIC CONSIDERATIONS

- Affordable housing is a major community concern, given the rapidly rising cost of housing in Aspen. The sales tax was originally proposed to address the housing concerns. During deliberations within the city council, the concept of Aspen's overall affordability for families was introduced into the discussion by a council member (also a member of the board of a child care center), who noted that housing and child care are the two largest items in a family budget. When the council member proposed adding child care to the tax proposition, there was no debate. The proposition went to the voters to adopt a sales tax for affordable housing and child care. It was renewed in 1999, with 66 percent of voters approving the measure.

- Having affordable housing and child care located in Aspen (rather than in outlying areas of the county) is a major benefit to employers of lower-wage workers in the tourism industry, which dominates the area.
- Aspen prides itself on community values – caring about its citizens and workers and striving for a healthy economy and a healthy environment. The combination of child care with affordable housing – both needs easily understood in a high-cost area like Aspen – was appealing to the community because of these values.
- Enacting sales tax legislation in an area dominated by tourism is a "Robin Hood" proposition: The voters know that the majority of the taxes will be paid by nonresidents, while the majority of benefits will go to residents. Enacting sales tax legislation may encounter opposition in lower-income communities and/or in communities without significant nonresident involvement in the local economy.
- Two factors that contributed to passage were that the tax is not permanent and that the city council retains annual decision-making power over the allocation of funds. Voters will get to decide whether to renew the tax or let it "sunset." Earmarking the revenue too specifically could be perceived as undermining the role of local government.
- In the only public mention of child care during the first referendum campaign, an opponent of the housing tax accused the council of purposely putting the two together to assure passage "because [you know] no one will vote against babies."

OTHER SITES WITH SIMILAR STRATEGIES

The cities of Boulder, Colorado, and Steamboat Springs, Colorado, have worked on the development of similar strategies.

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PROPOSITION 10: CHILDREN AND FAMILIES INITIATIVE (CALIFORNIA)

DESCRIPTION

Proposition 10: Children and Families Initiative ("Prop 10" or "the Initiative") is a ballot initiative approved by the voters of California. Taxes are imposed on cigarettes and other tobacco products to generate funds for promoting, supporting and improving childhood development for children up to 5 years of age and to create a state commission and county commissions to distribute the funds.

WHEN ESTABLISHED

The proposition was approved by the voters on November 3, 1998. Taxes took effect on January 1, 1999. The proposition has no "sunset" provision, so it remains in effect unless rescinded by the voters through a subsequent ballot initiative. Changes to the Initiative may be adopted by a two-thirds vote of the legislature.

ANNUAL AMOUNT

The Initiative generates funds by taxing cigarettes at the rate of 50¢ per pack and taxing other tobacco products, including cigars, at a rate approximately equal to $1 per box. The bulk of the proceeds from the new tax are initially deposited into a state Children and Families Trust Fund. The actual revenue for FY1999–2000, its first full year of operation, was $723 million, and the projected revenue for 2000–01 was $719 million. The amount required for collecting the taxes (estimated at $700,000 annually) and funds to offset revenue losses to health education and breast cancer research propositions that receive portions of the state excise taxes on cigarettes (estimated at $12 million annually) were not included in these totals.

Revenues are split between a state commission (20 percent) and county commissions (80 percent). The state commission share must be distributed according to the following formula:

- 6 percent for media communications on topics such as child development, smoking prevention among pregnant women, and selecting quality child care;
- 5 percent for education, technical assistance and training for county commissions, parents and professionals;
- 3 percent for child care, including education and training of child care providers, educational materials and other activities to increase availability and supply of high-quality, accessible, affordable child care;
- 3 percent for research and development on best practices, program standards and evaluation for all types of early childhood development programs and services;

- 1 percent for administration of the state commission; and
- 2 percent to be allocated by the state commission for any purpose of the Initiative except administration.

The county share is allocated among counties based on the proportion of births compared with the total number of births statewide.

SERVICES FUNDED

Prop 10 does not prescribe specific programs or eligibility requirements. Under the broad banner of "early childhood development," Prop 10 allows funds to be spent on communication, education, child care, health care, parenting, social services and research to support children prenatally through age 5, with funding decisions made by the appointed state and county commissions.

In January 2000, the state commission announced the launch of a $14 million statewide public education campaign that will inform the public about the importance of the early years, the dangers of smoking during pregnancy and the effects of second-hand smoke on young children. The campaign also will include a toll-free number for parents to call for information about programs for children. The state commission also approved $5 million to expand training for child care providers in underserved areas, $4 million for health and family support consultants in the child care system, $5 million for incentives to encourage accreditation in state-subsidized child care centers, and $1 million to study compensation in the child care industry and recommend ways it could be improved.

Alameda County Children and Families Commission was the first to approve a county plan in late 1999. The $6.5 million child care package includes $3.8 million to establish a Child Development Corps to increase compensation, qualifications and retention of child care staff.

HOW FUNDS DISTRIBUTED

State Level

The Initiative specified that a state commission be appointed to communicate information, create guidelines, define outcomes, allocate funds for state programs, provide technical assistance to counties and recommend changes in state law, regulation and/or programs. The state commission has seven voting and two non-voting members. The governor appoints three members (at least one of whom must be a county health official) and designates one as chairperson; the speaker of the Assembly appoints two members, and the Senate Rules Committee appoints two. The appointments must take into account expertise and experience in a specified set of child development and health-related fields and consultation with relevant public and private associations and organizations. The non-voting members are the Secretary of the Health and Human Services Agency and the Secretary for Education. Rob Reiner, who conceived the Initiative, was appointed by Governor Gray Davis (D) in 1999 to chair the state commission.

The state commission is required to hire an executive director and may hire other staff as needed.

County Level

County Children and Families Commissions consisting of five to nine members are appointed by each county's Board of Supervisors. At least one commission member must be a member of the board of supervisors and two must be administrators of county health, children's or human service programs. Others are drawn from among a broad range of specified categories such as early childhood educators and health care professionals.

For counties to receive funds, the Board of Supervisors must pass an ordinance establishing its county Children and Families Trust Fund and must appoint a county Children and Families Commission. The commission must develop a strategic plan for the allocation of funds that specifies outcomes to be achieved and describes efforts to create an integrated, consumer-friendly system of programs and services. The plan must be informed by at least one public hearing and be submitted to the state commission. An annual report of activities and an audit of funds expended during the fiscal year is also required.

POPULATION SERVED

All counties are eligible to receive funds and all of them are participating. Programs and services are meant for all children up to the age of 5 years.

STRATEGIC CONSIDERATIONS

- Passing an initiative like Prop 10 requires a concerted effort. The concept for Prop 10 was developed by Rob Reiner with help from advisors. The Reiner Foundation provided financial support for educational materials on the effectiveness of early childhood intervention (e.g., the Rand Corporation report *Investing in Our Children: What We Know and Don't Know About the Costs and Benefits of Early Childhood Interventions*, available on-line at www.rand.org). Financial support for passing the Initiative came from the entertainment industry and other groups. Support from a broad coalition of children's advocates throughout the state was crucial to generating support to get the measure on the ballot and pass it. The tobacco interests, specifically the four largest U.S. tobacco companies, mounted a well-financed campaign to defeat Prop 10. The margin of voter approval was slim (50.5 percent in favor to 49.5 percent opposed, with 8,008,000 votes cast). The initiative passed in 15 counties and lost in 43 counties.

- An effort to repeal Prop 10 was mounted by Ned Roscoe, owner of a chain of discount tobacco stores. The repeal (Prop 28) was on the March 2000 ballot; it lost (72 percent opposed to 28 percent in favor of repeal). The resounding defeat was interpreted as support for Prop 10 among voters and willingness to give it a chance to succeed.
- Tobacco was the preferred revenue source for Prop 10 because it was the one taxable item that could reasonably be linked to children's healthy development. Maternal smoking affects prenatal growth and development (e.g., low birthweight babies) and second-hand smoke is detrimental to young children (e.g., links to the rise in asthma).
- The amount (50¢ per pack) was determined to be acceptable to the voting public, putting California's cigarette taxes at the high end, but not the top, among states, and it was an amount calculated to raise significant funds.
- Proponents argued that brain development in the early childhood years is critical, yet public investment in children did not begin until age 5 or later. Prop 10 began to address this mismatch between needs and resources.
- Beyond general uneasiness with "sin taxes," opposition to Prop 10 rested on several arguments. First was the unfairness of targeting smokers. The major activities to be funded by the tax were not directly related to smokers or their children. Taxes on tobacco are regressive taxes because smokers are disproportionately low-income individuals. A second issue centered on how funds were distributed. Prop 10 funding is the only public revenue in California distributed by an appointed commission; all other revenue is subject to appropriation by the legislature and/or the county boards of supervisors, who are elected officials. Opponents decried the increased bureaucracy they believed would be created at the state level and in each county. The third opposition argument was that Prop 10 would not help public schools (because it was structured to generate funding outside the reach of Prop 98, an earlier ballot initiative that required that a specific portion of general tax revenues be dedicated to schools). Indeed, Prop 10 was not designed to fund public schools directly, but school readiness is one of its major goals.
- In California, and probably most other states, a 50-cent-per-pack tax on cigarettes generates a little less revenue than a .25-cent sales tax increase on goods (except food). A little more revenue would be generated by adding a 1 percent surcharge to the state income tax for the wealthiest taxpayers—individuals with an adjusted gross of more than $100,000 and couples with more than $200,000. Sales and income taxes generate more money over time; tobacco taxes generate less.
- Popular wisdom holds that allocating the bulk of funds to counties and lodging the decision-making authority for spending at the county level permits local flexibility and adaptability to local needs. This is probably achievable in smaller counties, but takes more effort to accomplish in more populous ones.
- Prop 10 funding decisions are made by appointed commissions that are not required to seek approval from any state body, including the state commission. Vesting such discretion in appointed bodies raises the question of accountability. In contrast, North Carolina's Smart Start (profiled on page 151) puts decision-making at the local level and requires approval of local plans (as well as submission of annual audits) by the state organization, the North Carolina Partnership for Children.
- While the Initiative specifies that funds are to support programs and services that supplement existing efforts at the state and county levels, no clear maintenance of effort requirements were included. Some (even a few proponents of the Initiative) argued that this lack of specificity would allow the state and counties to shift spending to Prop 10 dollars, diluting the potential of new funding. The only prohibition is that Prop 10 funds cannot be used to fund a program after its state or local funding has been reduced or eliminated.
- Some of the annual funds can be allocated to investment by leaving them in the trust fund to grow. This is encouraged as a way to offset the decline over time in tobacco tax revenue. Alameda County allocated $1.345 million to investment in its first-year plan.
- The expectation of the Initiative's designers is that sufficient data on the efficacy and financial benefits of investing in young children will be available after several years of Prop 10 and that these results will be powerful enough to increase public investment from general revenues.

OTHER SITES WITH SIMILAR STRATEGIES

In 24 states, citizen ballot initiatives are permitted. No other state has advanced a ballot initiative to increase taxes for children's services or early childhood development. The only other state to tax tobacco to support child care has been Indiana (see page 26).

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SCHOOL-AGE CHILD CARE PROJECT FUND (INDIANA)

DESCRIPTION

Funded for eight years by a cigarette tax, and now by general funds, the State School-Age Child Care Project Fund supports programs that offer care to school-age children before- and/or after-school, and when school is not in session.

WHEN ESTABLISHED

The Indiana General Assembly established the State School-Age Child Care Project Fund (the Fund) in 1985 to support pilot programs for school-age child care. In 1987 and 1993, the General Assembly amended the legislation.

ANNUAL AMOUNT

Since 1990, the annual amount in the Fund has been $550,000. Until the cigarette tax legislation expired in 1993, the Fund was supported with $400,000 in cigarette taxes and $150,000 in general fund revenues. Beginning in 1994, the Indiana General Assembly has appropriated $550,000 from general fund revenues each year to maintain the Fund.

SERVICES FUNDED

The Fund provides assistance for child care to children between the ages of 5 and 15 for before- and/or after-school, during periods when school is not in session and for students in half-day sessions. Funds must be awarded to public school corporations or nonprofit 501(c)(3) organizations.

HOW FUNDS DISTRIBUTED

The Fund has 40 grantees. Initially, obtaining money from the Fund was a competitive process. The grantees have remained roughly the same since the original competitive bid awards, with subsequent funding based on past award amounts carrying forward every year. The original statute provided that no one contractor receive more than $40,000, a stipulation that has remained virtually unchanged since the Fund's inception.

POPULATION SERVED

The program serves families with gross incomes up to and including 190 percent of poverty guidelines. Family eligibility is determined by using a sliding fee scale. Families under 100 percent of the poverty guidelines pay no fee.

STRATEGIC CONSIDERATIONS

- While use of revenues collected from the cigarette tax toward the Fund was time-limited, the program has continued to receive financial support from the legislature through the state's general fund – a noteworthy victory for child care advocates and staff at the Fund. In the meantime, the Fund is operated pursuant to its former rules and regulations.
- The School-Age Child Care Project Fund is an example of direct aid. Programs can benefit from the Fund while also receiving portable aid (subsidies).
- Depending on the political climate, securing a dedicated revenue source such as the tobacco tax or pursuing a general fund strategy may be more advantageous.

OTHER SITES WITH SIMILAR STRATEGIES

California is the only other state to use revenues from a cigarette tax for child care. See page 23 for a description of that initiative.

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STATE INCOME TAXES

VOLUNTARY INCOME TAX CHECKOFF FOR CHILD CARE (COLORADO)

DESCRIPTION

The Voluntary Income Tax Checkoff for Child Care finances a fund that is used for quality enhancement in licensed child care programs, by creating a voluntary child care checkoff on Colorado state income tax returns.

WHEN ESTABLISHED

The proposal passed the state legislature in 1996, and funds began to be collected in the spring of 1997 for the 1996 tax year. Initially, the effort was approved for three years, and it has been renewed for an additional ten.

ANNUAL AMOUNT

In 1998–99, $237,000 was generated through the checkoff.

SERVICES FUNDED

Funds generated by the checkoff are used to support professional development activities and training for child care providers and teachers and to support program accreditation and other investments that have the potential to improve the quality of child care services on a systemic level.

HOW FUNDS DISTRIBUTED

The funds were initially managed by the Colorado Children's Campaign and are now administered by the Colorado Office of Resource and Referral Agencies, Inc. A competitive application process and an independent selection committee were established to make decisions regarding the disbursement of funds to qualified applicants.

POPULATION SERVED

Child care and early education teachers and providers, community–based Learning Clusters,[1] resource and referral agencies, community colleges and institutions of higher learning are among the beneficiaries of the fund.

STRATEGIC CONSIDERATIONS

- Colorado's Business Commission on Child Care Financing – which was created by Governor Roy Romer (D) in 1995 – made a series of recommendations aimed at improving the supply of high–quality, affordable child care. The tax checkoff proposal was one of the commission's recommendations.
- Using a tax checkoff strategy to generate funds is often appealing because participation by a taxpayer is entirely voluntary. Additionally, making a contribution is very simple (the taxpayer simply places a check mark in the box), and many individuals have the opportunity to participate.
- The participation rate in checkoff initiatives, however, tends to be low (around 1 percent). Checkoff programs do not produce a consistent or reliable source of funding. The greatest support for them is usually during the first years, followed by a quick drop in interest.
- Even if it generates limited funds, a child care tax checkoff has the potential to bring greater visibility to the issue, thus serving an important public education function.
- Without strong maintenance–of–effort language, funds from the voluntary checkoff could be used to supplant, rather than augment, current expenditures.

OTHER SITES WITH SIMILAR STRATEGIES

Colorado is currently the only state to use a checkoff for child care or early education.

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[1] Colorado distributes training funds through local Learning Clusters, which are composed of early childhood practitioners and parents who come together to identify their training needs and develop a plan to meet those needs.

TAX CREDITS, DEDUCTIONS AND EXEMPTIONS

CHILD AND DEPENDENT CARE TAX CREDIT (FEDERAL)

DESCRIPTION

The federal Child and Dependent Care Tax Credit (CDCTC) allows all families with child care expenses to claim a credit against federal taxes owed equal to a percentage of their employment-related expenditures for any form of child care. Children must be under age 13 and live with the parent(s) claiming the credit. The law limits creditable expenses to $2,400 for one child and $4,800 for two or more children. The expense limits were set in 1981 and reflected average prices for care at that time. The credit is not indexed for inflation as other parts of the tax code are (e.g., the personal exemption, standard deduction and earned income tax credit).

The credit declines as income rises:

Adjusted gross income	Percentage of eligible expenses allowed as credit
below $10,000	30%
$10,001-$12,000	29%
$12,001-$14,000	28%
$14,001-$16,000	27%
$16,001-$18,000	26%
$18,001-$20,000	25%
$20,001-$22,000	24%
$22,001-$24,000	23%
$24,001-$26,000	22%
$26,001-$28,000	21%
above $28,000	20%

The maximum credit of $720 for families with one child, or $1,440 for families with two or more children, is available to families with incomes below $10,000, as long as these families have spent up to the limits of eligible child care expenses. However, in practice, virtually none of these families can claim the maximum credit because families with incomes that low are unlikely to be able to spend to the expense limit, and they often have no tax liability. In 1999, a one-parent family with one child would not owe federal income taxes until its income exceeded $11,850. The maximum credit for families with incomes over $28,000 is $480 for families with one child and $960 for families with two or more children.

WHEN ESTABLISHED

The 1954 revisions to the federal tax code added a provision to allow a tax deduction for certain employment-related child/dependent care expenses. The deduction was converted to a credit in 1976. Expense limits were raised, the sliding scale was established, and the maximum credit was raised to 30 percent, beginning with tax year 1982. In tax year 1983, the credit became available to taxpayers filing the "short" tax form (1040A).

ANNUAL AMOUNT

The estimated federal revenue loss associated with the CDCTC was $2.5 billion in federal tax year 1997, the most recent year for which Internal Revenue Service data were available. That was significantly lower than comparable levels for 1988, when the cost of the CDCTC was $3.8 billion. The federal Family Support Act of 1988, among other changes, modified the Internal Revenue Code to provide that a taxpayer would not be eligible for the CDCTC unless the tax return included the name, address and taxpayer identification number of the dependent care provider. The number of returns claiming the CDCTC dropped from 9 million in 1988 to 6 million in 1989. In 1997, 5.4 million taxpayers claimed the CDCTC.

SERVICES FUNDED

Generally, the credit can be claimed for any form of child care, in-home or out-of-home, that is related to employment. (Employment-related expenses are expenses incurred while the parent is gainfully employed or looking for gainful employment. If the parent is married, her or his spouse must also be employed or looking for employment, unless the spouse is a full-time student or incapable of self-care.) If the childcare provider cares for more than six children, the provider must comply with applicable state and local laws and regulations. The taxpayer must have paid for the care and must supply the name and taxpayer identification number of the person or organization that provided the care. The cost of care claimed cannot exceed the earned income of the lower-earning spouse.

HOW FUNDS DISTRIBUTED

Expenditures are made throughout a year, and the tax credit is claimed on the annual income tax return for that year, which is due in mid-April of the following year. Rather than receiving a larger refund long after having paid for the child care, taxpayers who can predict their child care costs may choose to adjust their federal tax withholding amounts to account for the credit, thus receiving the benefits throughout the year.

POPULATION SERVED

All families with federal income tax liability and employment–related care expenses can claim the credit within the limits described. All types of child care qualify for the credit. Families with very low incomes cannot take advantage of the credit because they owe no federal tax and the credit is not refundable. For example, in 1999, a single–parent family with one child owes no federal tax until its adjusted gross income exceeds $11,850. A married–couple family with two children filing a joint tax return will have no federal income tax liability until its income exceeds $18,200.

STRATEGIC CONSIDERATIONS

- Because the credit is available to all families for all types of child care, it appeals to a wide constituency.
- As part of the tax code, it is easier to administer than are direct–benefits programs, which require more staff.
- Historically, tax provisions have been stable funding mechanisms because they are not subject to the debates of regular reauthorization or annual appropriations.
- The tax credit (along with the federal dependent care assistance plan) is currently the only source of federal support for the work–related child care expenses of middle–income families. Such tax provisions recognize that families who incur employment–related child care expenses do not have the same ability to pay taxes as families at the same income level who do not incur such expenses, and adjust families' tax liability accordingly.
- The federal tax code includes other credits that are refundable, e.g., the federal earned income tax credit, which is refundable and capped, and is designed with a sliding scale that generally benefits the lowest–income families the most. Although the child care credit is available to families of all income levels, because the credit is not refundable, families owing little or no federal tax cannot take full advantage of it. In 1997 (the most recent year for which IRS data are available), about 52 percent of the credit's benefits went to families with incomes of less than $50,000. Less than 2 percent of the benefits of the credit went to families with incomes of less than $15,000. While lower–income families can claim credits for a larger percentage of their child care expenses, they are unlikely to be able to afford child care that would allow them to take full advantage of the credit.
- Relative to the current average price of child care, the amount of benefit a family receives through the tax credit is small. Moreover, because the credit is not indexed, the benefits it provides diminish over time. In other words, the credit generally cannot pay for a family's child care, or even for a substantial part of a family's child care. Nevertheless, it can significantly reduce tax liability for the families that claim it.
- The credit treats all forms of child care equally; that is, the credit does not favor one form of care over another. It does not provide greater benefits to families who use higher quality care. Unlike the federal mortgage interest deduction, which provides a sufficiently significant benefit to affect consumer behavior, the value of the child care credit is probably too small an amount of money to affect consumer choices in the direction of purchasing higher–cost or better–quality child care.
- There have been recurring efforts to phase out the credit for higher income families. Bills introduced in Congress in 1998 and 1999 to amend the credit would have reduced the credit for families with incomes above $75,000 and phased it out completely for families with incomes above $103,500. Thus far, these efforts have been unsuccessful. Advocates in the child care community have opposed these changes because the expected savings realized from phasing out the credit would not have been redirected to child care programs. In addition, imposing an income limitation on the credit would make it the only employment–related tax benefit with an income ceiling. The result would be that taxpayers at all income levels could deduct business–related expenses for exclusive club memberships, luxury business cars and conventions in exotic locations, but not for the child care that enables them to work.

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CHILD AND DEPENDENT CARE CREDIT (NEW YORK)

DESCRIPTION

New York allows families with employment-related child care expenses to claim a refundable child and dependent care tax credit (CDCTC) against state personal income taxes owed. Compared to other state CDCTCs, the credit is unusually generous. While favoring lower-income families, it is available to all taxpayers, regardless of income. Thus, all families with qualifying expenses can receive some credit. The maximum credit a family may receive is $720 for one child or dependent and $1,440 for two or more children or dependents.

WHEN ESTABLISHED

New York's CDCTC was established in 1977. It has since been amended many times, in 1998 and again in 2000, when it was increased to its present level.

ANNUAL AMOUNT

In tax year 1996 (the most recent year for which information is available), the CDCTC was claimed on 271,000 New York resident tax returns, for a total of approximately $28 million. The New York credit available in 1996, however, was much less generous than that which is available today.

SERVICES FUNDED

New York's credit, like most state CDCTCs, allows claims for the same range of child care services as the federal credit. The federal credit covers employment-related child care, whether provided in-home or out-of-home, including care provided by child care centers, nursery schools, family child care homes, nannies, relatives over the age of 18 (other than a spouse or dependent), and day camps (but not overnight camps).

Because the New York CDCTC is calculated as a percentage of the federal CDCTC, New York's credit is subject to the same expense limits as the federal credit – $2,400 for one child or dependent and $4,800 for two or more children or dependents.

HOW FUNDS DISTRIBUTED

The New York credit is claimed on the taxpayer's annual income tax return, based on child or dependent care expenses that were paid throughout the year. Taxpayers who can predict their expenses may choose to adjust their state withholding amounts to account for the credit, thus receiving its benefits throughout the year.

POPULATION SERVED

New York has not limited its tax credit to lower-income or middle-income families. All families with qualifying expenses may take the credit, regardless of their income. (This is in contrast to the seven states that cap their child care tax provisions by imposing an upper income limit on taxpayers who may claim it, ranging from a low of $21,424 in New Mexico to a high of $60,000 in Colorado.) Most states, like New York, follow the federal model and allow families at all income levels to claim the credit.

However, New York's credit is targeted to give the greatest benefit to lower-income families. For tax year 2000, families with New York adjusted gross incomes (AGIs) below $25,000 are eligible for the maximum state credit, equal to 110 percent of the federal credit for which the family is eligible, for a maximum credit amount of $792 for one child or dependent and $1,584 for two or more children or dependents. Families who cannot claim the federal credit for which they are eligible because of their limited federal tax liability are still eligible for the state credit. Families with incomes of more than $65,000 may claim a state credit equal to 20 percent of the federal credit for which they are eligible, for a maximum credit amount of $96 for one child or dependent and $192 for two or more children or dependents. Families with incomes between $25,000 and $40,000 are eligible for a state credit between 100 percent and 110 percent of their federal credit. Families with incomes between $40,000 and $65,000 are eligible for 100 percent of the federal credit for which they are eligible. Families with incomes between $50,000 and $65,000 are eligible for a state credit between 100 percent and 20 percent, with the percentage declining as income increases. New York's credit is refundable, and is thus available even to low-income families who owe no taxes.

Like nearly all other states with child and dependent care tax provisions, New York's CDCTC applies to care for children under age 13, the same age limit as the federal credit. Like other states that follow the model of the federal credit, New York's provision also applies to care for a spouse or dependent (including a child 13 and older) unable to provide self-care.

STRATEGIC CONSIDERATIONS

- Generally, the justification for state child care tax provisions is similar to that for the federal credit. Tax provisions recognize that families who incur employment-related child care expenses do not have the same ability to pay taxes as do families at the same income level without such expenses, and adjust tax liability accordingly.

- Child care tax provisions are one of many strategies to help families afford child care, and they may be more politically feasible than direct spending in an anti-tax, budget-cutting climate. But tax provisions have their limitations. They usually reimburse only a portion of a family's child care costs and require that families who incur those costs "up front" receive a benefit in reduced taxes or a larger refund months later. This leaves some families without enough money to pay for care at all or at the time they need it. Tax provisions also do not directly address issues of access or quality of care chosen by a family, though by allowing families to pay more for child care, they can indirectly affect both. Tax provisions also can be designed to afford greater benefits to families that use higher quality care.
- Deductions are often worth less to state taxpayers than credits, because state tax rates tend to be relatively low and the value of a deduction is determined by and rises with a taxpayer's marginal tax rate. For the same reason, deductions favor higher-income taxpayers over lower-income ones.
- State tax provisions that are directly linked to the federal provision share the strengths and weaknesses of the federal credit. The federal credit is available to all families, while targeting its benefits to lower-income families. However, the federal credit is not refundable and is not indexed for inflation. This limits its value, especially to the lowest-income families.
- State tax credits that are refundable help ensure that the lowest-income families can benefit from the provision.
- States that have both "long" and "short" tax return forms can help ensure that lower-income families benefit from a child care tax provision by including it on the short form.
- State tax provisions that have expense limits that reflect the cost of good child care in the state and are indexed for inflation will help families more than provisions with fixed expense limits. Similarly, state provisions that have income limits that are indexed for inflation or expressed as a percentage of poverty will maintain their targeting better than provisions with fixed income limits.
- States can target assistance to lower-income families by offering a credit instead of a deduction, making the credit refundable, indexing the credit for inflation, using sliding scales that favor lower-income families and putting the tax credit on the short form.
- State child care tax provisions designed to "sunset" after a certain number of years may be easier to enact in some legislative climates, but these credits may not be reenacted when they expire. For example, California had a modest credit that expired at the end of 1993 and has not been reenacted. Montana's child care tax deduction expired in 1994.

OTHER STATES WITH SIMILAR STRATEGIES

As noted above, 26 states and the District of Columbia have child care income tax provisions. See page 35 for a chart summarizing child care tax provisions for all states.

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CHILD AND DEPENDENT CARE CREDIT AND WORKING FAMILY CREDIT (OREGON)

DESCRIPTION

Oregon is the only state that offers two separate tax credits for child care expenses. An eligible taxpayer may claim both credits for the same child care expenses. Oregon's child and dependent care tax credit is a nonrefundable credit equal to a percentage of the employment-related expenses eligible for the federal credit, and is available on a sliding scale to taxpayers with federal taxable incomes below $45,001. The maximum child and dependent care credit an Oregon taxpayer may receive is $720 for one child or dependent or $1,440 for two or more children or dependents. Oregon's working family tax credit is a nonrefundable credit equal to a percentage of the taxpayer's total child care expenses, and, beginning in tax year 2001, is available to taxpayers with federal Adjusted Gross Income at or below 250 percent of the poverty level. The working family credit has no cap, and is limited only by a taxpayer's state tax liability.

WHEN ESTABLISHED

Oregon established its child and dependent care credit in 1975, and has amended it many times since establishment. Its working family credit was established in 1997 and increased in 1999, effective tax year 2001.

ANNUAL AMOUNT

In tax year 1997 (the most recent year for which information is available), the Oregon child and dependent care credit was claimed on 57,000 returns for a total of $7.6 million, and the working family credit was claimed on 17,000 returns for a total of $5.5 million. The working family credit has since been increased, effective tax year 2001, which will presumably make it more valuable in future years.

Both of Oregon's credits are targeted to help lower-income families. The child and dependent care credit is available to families with federal taxable incomes below $45,001. A credit in the amount of 30 percent of eligible expenses (and thus equal to the maximum federal CDCTC) is available for families with federal taxable incomes below $5,001. This percentage declines as federal taxable income rises, to 4 percent of eligible expenses for families with federal taxable incomes above $35,000 and below $45,001.

SERVICES FUNDED

The child and dependent care credit covers the same services that are eligible for the federal CDCTC, covering expenses for these services up to $2,400 for one child or dependent or $4,800 for two or more children or dependents.

The working family credit covers care provided for the purpose of allowing the taxpayer to be gainfully employed or to seek employment. In contrast to the federal CDCTC and the state credits modeled after it, it also covers care that the taxpayer uses for the purpose of attending school on a part-time or full-time basis. The credit does not cover care provided by the child's parent or guardian or by a child of the taxpayer who is under 19 years old at the close of the tax year.

An important feature of the working family credit is that it is calculated on the basis of all a family's qualified child care expenses; the federal CDCTC and the child and dependent care tax provisions of every other state limit eligible child and dependent care expenses to a specific dollar amount per year—most commonly $2,400 for one child or dependent and $4,800 for two or more children or dependents.

HOW FUNDS DISTRIBUTED

As under other CDCTC provisions, benefits are received by filing an annual income tax return.

POPULATION SERVED

Many of the families eligible for the child and dependent care credit may also claim the working family credit, further offsetting state tax liability. To claim the latter credit, a family must have at least $6,150 of earned income for the tax year. Currently, the credit is available to families with federal AGIs below 200 percent of the poverty level, but beginning in tax year 2001, it will become available to families at or below 250 percent of the poverty level. From 2001 forward, families with federal AGIs at or below 200 percent of the federal poverty level may claim a credit equal to 40 percent of all child care expenses undertaken for the purpose of allowing a taxpayer to work, look for work or attend school. The percentage of expenses will then decrease on a sliding scale as income climbs, down to 8 percent of expenses for families at or between 240 percent and 250 percent of the poverty level. For families at or below 220 percent of the poverty level, the working family credit will cover a larger percentage of child care expenses than the federal CDCTC or any other state CDCTC. Because eligibility for the credit is tied to a family's poverty level, rather than a fixed income mark, the credit is, in effect, indexed to inflation, since the poverty level changes with the cost of living. In addition, poverty level is sensitive to family size, as a fixed income mark is not. Thus, the working family credit will provide a larger benefit to bigger families than it provides to smaller families with the same income.

When the two credits are taken together, Oregon provides some of the most generous state child care tax relief in the country. Nevertheless, the benefit of the credits for the poorest families is limited by the fact that neither credit is refundable. Thus, if a family has no tax liability, it receives no immediate benefit, regardless of the amount of its child care expenses. The child and dependent care credit (although not the working family credit) may still benefit the family in a future year, however, for it can be carried forward for up to five years and applied against a later year's tax liability. The benefit of the credits for higher-income families is also limited; neither credit is available to families above 250 percent of the poverty level who have federal taxable income above $45,000.

The working family credit applies to care for children under age 13 and disabled children under the age of 18. The child and dependent care credit applies to care for children under 13 and for a spouse or dependent unable to provide self-care.

STRATEGIC CONSIDERATIONS

- Generally, the justification for state child care tax provisions is similar to that for the federal credit. Tax provisions recognize that families who incur employment- related child care expenses do not have the same ability to pay taxes as do families at the same income level without such expenses, and adjust tax liability accordingly.
- Child care tax provisions are one of many strategies to help families afford child care, and they may be more politically feasible than direct spending in an anti-tax, budget-cutting climate. But tax provisions have their limitations. They usually reimburse only a portion of a family's child care costs and require that families who incur those costs "up front" receive a benefit in reduced taxes or a larger refund months later. This leaves some families without enough money to pay for care at all or at the time they need it. Tax provisions also do not directly address issues of access or quality of care chosen by a family, though by allowing families to pay more for child care, they can indirectly affect both. Tax provisions also can be designed to afford greater benefits to families that use higher quality care.
- Deductions are often worth less to state taxpayers than credits, because state tax rates tend to be relatively low and the value of a deduction is determined by and rises with a taxpayer's marginal tax rate. For the same reason, deductions favor higher-income taxpayers over lower-income ones.
- State tax provisions that are directly linked to the federal provision share the strengths and weaknesses of the federal credit. The federal credit is available to all families, while targeting its benefits to lower-income families. However, the federal credit is not refundable and is not indexed for inflation. This limits its value, especially to the lowest-income families.
- State tax credits that are refundable help ensure that the lowest-income families can benefit from the provision.
- States that have both "long" and "short" tax return forms can help ensure that lower-income families benefit from a child care tax provision by including it on the short form.
- State tax provisions that have expense limits that reflect the cost of good child care in the state and are indexed for inflation will help families more than provisions with fixed expense limits. Similarly, state provisions that have income limits that are indexed for inflation or expressed as a percentage of poverty will maintain their targeting better than provisions with fixed income limits.
- States can target assistance to lower-income families by offering a credit instead of a deduction, making the credit refundable, indexing the credit for inflation, using sliding scales that favor lower-income families and putting the tax credit on the short form.
- State child care tax provisions designed to "sunset" after a certain number of years may be easier to enact in some legislative climates, but these credits may not be reenacted when they expire. For example, California had a modest credit that expired at the end of 1993 and has not been reenacted. Montana's child care tax deduction expired in 1994.

OTHER STATES WITH SIMILAR STRATEGIES

As noted above, 26 states and the District of Columbia have child care income tax provisions. See page 35 for a chart summarizing child care tax provisions for all states.

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STATE INCOME TAX PROVISIONS FOR CHILD CARE[1]

1999 UNLESS NOTED

State with Individual Income Tax and/or Child Care Credits	Type of child care provision	Description	Refundable?	Income cap?	Maximum benefits (1 dep./2 or more dep.)
Alabama	None				
Alaska[2a]	Credit	16% of federal credit.[2b]	Yes, but payment may not be made without an appropriation for the purpose.	No	$115/$230
Arizona	None				
Arkansas	Credit	20% of federal credit.	No, except for care for 3- to 5-year-olds in an accredited center.	No	$144/$288
California	None				
Colorado	Credit	50% of federal credit actually received if federal AGI[3a] is ≤ $25,001; 30% if federal AGI is $25,001–$35,000; 10% if federal AGI is $35,001–$60,000, but if in any tax year, the amount of revenue for the state fiscal year immediately preceding the tax year exceeded the limitation on state fiscal spending imposed by the state constitution and the voters did not authorize the state to retain and spend all of the excess state revenues for that fiscal year, the credit is 50% of the federal credit if federal AGI is ≤ $60,000, reduced by any state child tax credit claimed.[3b]	Yes	$60,000 federal AGI	$360/$720
Connecticut	None				
Delaware	Credit	50% of federal credit.	No	No	$360/$720
District of Columbia	Credit	32% of federal credit.	No	No	$230/$461
Georgia	None				
Hawaii	Credit	25% of eligible expenses[4] if Hawaii AGI is ≤ $22,000, reduced one percentage point per additional $2,000 income increment, to 15% for incomes > $40,000.	Yes	No	$600/$1,200
Idaho	Deduction	Expenses eligible for federal credit.	No	No	$197/$394[5]
Illinois	None				
Indiana	None				
Iowa	Credit	75% of federal credit if Iowa net income is <$10,000; 65% if Iowa net income is $10,000- $19,999; 55% if $20,000-24,999; 50% if $25,000- $34,999; 40% if $35,000- $39,999.	Yes	$39,999 Iowa net income	$540/$1,080
Kansas	Credit	25% of federal credit actually received.	No	No	$180/$360
Kentucky	Credit	20% of federal credit.	No	No	$144/$288
Louisiana[6]	Credit	10% of federal credit, up to $25.	No	No	$25/$25
Maine	Credit	25% of federal credit. Beginning in tax year 2001, increases to 50% if care is "quality care."	No; beginning in tax year 2001, yes, up to $500.	No	Tax year 1999: $180/$360 Tax year 2001: $360/$720

list continues...

State with Individual Income Tax and/or Child Care Credits	Type of child care provision	Description	Refundable?	Income cap?	Maximum benefits (1 dep./2 or more dep.)
Maryland[8a]	**Deduction**	**Expenses eligible for federal credit.**	**No**	**No**	**$117/$234**[8b]
Maryland	Credit	Beginning in tax year 2000, 25% of federal credit if federal AGI ≤ $30,000, reduced by 10% for each $1,000 or fraction thereof by which federal AGI exceeds $30,000.	No	$39,000 federal AGI	$180/$360
Massachusetts[9a]	Deduction	Expenses eligible for federal credit.	No	No	$143/$286[9b]
Michigan	None				
Minnesota	Credit	100% of federal credit if income ≤ $17,740.[10a] Credit is reduced by $18 (1 dep.) or $36 (2+ dep.) for every additional $350 of income.	Yes	$31,390 of income[10b]	$720/$1,440
Mississippi	None				
Missouri	None				
Montana[11]	Deduction	Eligible expenses[11a] if Montana AGI ≤ $18,000. If AGI > $18,000, deductible expenses are reduced by one half of income in excess of $18,000.		$22,798 Montana AGI for taxpayers with one eligible dependent; $25,198 for taxpayers with two eligible dependents; $27,598 for taxpayers with three eligible dependents	$120/$180 (two dependents) /$240 (three or more dependents)[11b]
Nebraska	Credit	25% of federal credit actually received if federal AGI >$29,000; 100% of federal credit regardless of limitation by federal tax liability if AGI <$22,000, reduced by 10% for each $1,000 by which AGI exceeds $22,000.	Yes, for taxpayers with federal AGI ≤ $29,000.	No	$720/$1,440
New Jersey	None				
New Mexico	Credit	40% of eligible expenses,[12] up to $8 per day per child, reduced by the amount of the federal credit used to offset federal tax liability.	Yes	$21,424 New Mexico modified gross income (set at annual earnings at double the federal minimum wage)	$480/$960 (2 dep.)/ $1,200 (3+ dep.)
New York[13]	Credit	110% of federal credit if New York AGI is < $25,000; between 100% and 110% on sliding scale if AGI is between $25,001 and $39,999; 100% of the federal credit if AGI is between $40,000 and $50,000; 20% of federal credit if AGI is over $65,000; sliding scale if AGI is between $50,001 and $64,999.[13]	Yes	No	$752/$1,584
North Carolina	Credit	13% of expenses eligible for federal credit for care for children under 7, 9% for children over 7, if federal AGI <$25,000; 11.5% of eligible expenses for care for children under 7, 8% for children over 7 if AGI $25,001–$40,000; 10% of eligible expenses for care for children under 7, 7% for children over 7, if AGI >$40,000.[14]	No	No	$312/$624
North Dakota	None				

list continues...

State with Individual Income Tax and/or Child Care Credits	Type of child care provision	Description	Refundable?	Income cap?	Maximum benefits (1 dep./2 or more dep.)
Ohio	Credit	100% of federal credit if Ohio AGI <$20,000; 25% of federal credit if AGI $20,001- $39,999.	No	$39,999 Ohio AGI	$720/$1,440
Oklahoma	Credit	20% of federal credit actually received, though if state AGI is less than federal AGI, credit prorated.	No	No	$144/$288
Oregon[15a]	Credit One	30% of expenses eligible for federal credit if federal taxable income <$5,001; 15% if $5,001- $10,000; 8% if $10,001- $15,000; 6% if $15,001-$25,000; 5% if $25,001- $35,000; 4% if $35,001- $45,000	No	$45,000 (federal taxable income)	$720/$1,440
	Credit Two	40% of eligible expenses[15b] if federal AGI ≤150% federal poverty level; 36% if AGI 151%-160% of federal poverty level; 32% if AGI 161%- 170%; 24% if AGI 171%- 180%; 16% if AGI 181%- 190%; and 8% if AGI 191%- 200%. A family must have $6000 of earned income to claim the credit. Beginning in tax year 2001, 40% of eligible expenses if federal AGI ≤200% federal poverty level; 36% if AGI 201%- 210% of federal poverty level; 32% if AGI 211%- 220%; 24% if AGI 221%- 230%; 16% if AGI 231%- 240%; and 8% if AGI 241%- 250%.	No	Federal AGI at 200% of federal poverty level; 250% of federal poverty level beginning in tax year 2001	40% of eligible expenses, without dollar limit
Pennsylvania	None				
Rhode Island	Credit[16]	27% of federal credit actually received.	No	No	$194/$389
South Carolina	Credit	7% of expenses eligible for federal credit.	No	No	$168/$336
Utah	None				
Vermont	Credit[17]	25% of federal credit actually received.	No	No	$180/$360
Virginia	Deduction[18]	Expenses eligible for federal credit.	No	No	$138/$276[19]
West Virginia	None				
Wisconsin	None				

[1] National Women's Law Center (2000). "Making Child Care Less Taxing: Improving State Child and Dependent Care Tax Provisions." Washington, DC

FOOTNOTES

[1] State Income Tax Provisions For Child Care
National Women's Law Center (2000). "Making Child Care Less Taxing: Improving State Child and Dependent Care Tax Provisions." Washington, DC. Eight states do not tax personal income or provide a child care credit: Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming.

[2a] Alaska
Alaska does not tax personal income, but nevertheless statutorily provides for a "credit" in the form of a refund.

[2b] Alaska
Unless otherwise indicated, "federal credit" means the federal credit for which a taxpayer was eligible, regardless of whether the taxpayer's tax liability allowed him or her to claim the full credit.

[3a] Colorado
Colorado's measure of income is federal adjusted gross income (AGI). Alternative measures of income utilized by states are noted throughout.

[3b] Colorado
In 1998, the above contingency occurred, entitling families below the income cap to a credit equal to 50 percent of the federal credit. While the statute provides that this child care credit "shall be reduced by" any state child credit claimed, Colorado's 1998 tax forms permitted families to claim the larger of their child care credit or child credit, without reduction.

[4] Hawaii
While Hawaii's provision is independent of the federal credit, for tax year 1999, the expenses eligible for Hawaii's credit were identical to those eligible for the federal credit.

[5] Idaho
Idaho's top tax rate is 8.2 percent.

[6] Louisiana
In contrast, Louisiana offers a credit for expenses undertaken for "dependents physically or mentally incapable of self-care" equal to 100 percent of the federal credit.

[7] Maine
"Quality child care" is defined as care provided at a child care site that meets minimum licensing standards; is accredited by an independent, nationally recognized program approved by the Maine Department of Human Services, office of Head Start and Child Care; utilizes recognized quality indicators for child care services approved by the Maine Department of Human Services, Office of Head Start and Child Care; and includes provisions for parent and client input, a review of the provider's policies and procedures, a review of the provider's program records and an on-site program review.

[8a] Maryland
Beginning in tax year 2000, Maryland families may claim both the deduction and credit.

[8b] Maryland
Maryland's top tax rate is 4.875 percent.

[9a] Massachusetts
Recent changes in state law will become effective for the 2001 tax year. In that year, expenses of up to $3,600 for one child/dependent are deductible (for a maximum benefit of $214) and expenses up to $7,200 for two or more children/dependents are deductible (for a maximum benefit of $428). In tax year 2002 and forward, expenses of up to $4,800 for one child/dependent are deductible (for a maximum benefit of $286) and expenses up to $9,600 for two or more children/dependents are deductible (for a maximum benefit of $571).

[9b] Massachusetts
Massachusetts has a 5.95 percent tax rate for all income levels.

[10a] Minnesota
Minnesota defines income as federal AGI plus the sum of various other enumerated sources of income. The income figures are indexed for inflation; estimated 1999 tax year figures are given. The relevant figure for tax year 1998 was $17,420.

[10b] Minnesota
Minnesota defines income as federal AGI plus the sum of various other enumerated sources of income. The income cap is indexed for inflation; estimated 1999 tax year figures are given. The relevant figure for tax year 1998 was $31,070.

[11a] Montana
Eligible expenses are those incurred for in-home or out-of-home care for children under age 15. Expenses are capped at a maximum of $2,400 for one child, $3,600 for two, and $4,800 for three or more.

[11b] Montana
Montana's top tax rate for taxpayers able to claim the full deduction (those with Montana AGI of $18,000 a year or less) is 5 percent.

[12] New Mexico
Eligible expenses are those incurred for in-home and out-of-home care for children under 15.

[13] New York
These provisions take effect in tax year 2000.

[14] North Carolina
The applicable income ranges vary with taxpayer filing status. The figures given are for married taxpayers filing jointly.

[15a] Oregon
Oregon families may claim both credits.

[15b] Oregon
Eligible expenses are those child care expenses incurred for care provided to a child under 13 or a disabled child that allows a taxpayer to be gainfully employed, seek employment, or attend school on a full-time or part-time basis. Unlike the federal credit, eligible expenses are not capped at $2,400 for one child and $4,800 for two or more children.

[16] Rhode Island
Rhode Island calculates state tax liability as 27 percent of federal tax liability, so indirectly offers a child and dependent care credit to those taxpayers claiming a federal credit.

[17] Vermont
Vermont calculates state tax liability as 25 percent of federal tax liability, so indirectly offers a child and dependent care credit to those taxpayers claiming a federal credit.

[18] Virginia
Virginia's top tax rate is 5.75 percent.

BANK OF AMERICA CHILD CARE PLUS (MULTISTATE)

DESCRIPTION

Child Care Plus is a work-life benefit offered by Bank of America to help its eligible associates pay for child care expenses. ("Associate" is the term Bank of America uses for employees.)

WHEN ESTABLISHED

Child Care Plus began in 1989 and is now available to associates at all Bank of America locations in 21 states throughout the United States. Bank of America has participated in the state of Florida's Child Care Executive Partnership program since it began in 1998. (For more information about Florida's Child Care Partnership Act, see page 141).

ANNUAL AMOUNT

In 1999, Bank of America invested $22 million in support of 26,561 children.

SERVICES FUNDED

The Child Care Plus program is structured as a Dependent Care Assistance Plan (DCAP) following standard Internal Revenue Service regulations and is a tax-free benefit. As IRS regulations specify, any licensed or registered child care provider can be used, as well as "informal" child care (i.e. care provided by a friend or relative, except a spouse or minor child). Child care for children under age 13 is allowed. School-age programs can be reimbursed whether used year-round or only during breaks and summer vacation. The child must be claimed by the associate as a dependent for tax purposes. Eligible associates can receive up to $152 per month, per child, toward child care expenses in addition to their regular pay.

HOW FUNDS DISTRIBUTED

A simple one-page flier explaining the benefit is discussed with new associates during orientation. Participants in Child Care Plus pay for their child care directly. The parent completes a request for reimbursement form stating the amount paid to the child care provider. Both the parent and the child care provider sign the form. The reimbursement is included with regular Bank of America pay.

POPULATION SERVED

Any associate of Bank of America who works at least 20 hours per week, needs child care to work, has an annual base salary of less than $30,000 and an annual family income of less than $60,000 is eligible.

STRATEGIC CONSIDERATIONS

- Bank of America believes child care benefits strongly motivate company loyalty and have proven cost-effective. Turnover among participants in Child Care Plus is half that of comparable Bank of America associates who do not participate in the program.
- The quality and stability of child care are company concerns because they affect worker productivity, especially for those associates who are not able to pay enough to get quality child care.
- Incentives for quality can be incorporated into a child care benefit through rewards for choosing better child care, such as paying more to families who choose accredited providers.
- Keeping the benefit simple and making it accessible to associates are important considerations, as is ensuring cost-effective administration.
- Working families may be able to take advantage of federal and/or state tax provisions, including dependent care tax credits and the Bank of America dependent care assistance. Families need to carefully analyze the tax benefits of various approaches and any interactions among them, which can be complex.
- Dependent Care Assistance Plans with employer contributions, such as those offered by Bank of America, are more helpful to low- and middle-income associates than traditional DCAPs because these associates typically cannot afford to set aside income and wait for reimbursement. Also, the design of Child Care Plus eliminates the possibility of an associate suffering a loss under the "use it or lose it" rule of DCAPs.
- Bank of America also offers a traditional DCAP for associates whose income makes them ineligible for Child Care Plus. This permits associates to reduce their taxable salary by an amount up to $5,000 per year and use the funds to pay for child care. DCAP funds – both traditional and the Child Care Plus program – are exempt from federal income, unemployment and Social Security taxes as well as exempt from state income taxes (except in New Jersey).
- Bank of America offers on-site child care centers in five locations, supporting two-thirds of the cost of these centers. When space permits, financially supported back-up child care also is offered. Associates can choose to participate in Child Care Plus or take advantage of the sliding fee scale of the center, which is based on income.

- From an employer perspective, one downside to work–life benefits is that associates sometimes see the benefits as entitlements, rather than supportive assistance. Communicating the value of the benefits and the shared responsibility between the associate and the company helps address this concern.
- Bank of America has been included on *Working Mother* magazine's Hundred Best Companies for Working Women list for eleven years and has been on the "Top Ten" list for seven years. For more information about the best companies list, go to: www.workingmother.com/100best/index.html

OTHER SITES WITH SIMILAR STRATEGIES

Offering dependent care assistance plans is becoming more common; many of the companies on the *Working Mother* list offer DCAPs. Work/Life Benefits is one of the four largest national companies administering work–life benefits and manages 400 dependent care assistance plans.

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CHILD CARE CONTRIBUTION TAX CREDIT (COLORADO)

DESCRIPTION

Colorado's child care contribution tax credit is available against both corporate and personal state income taxes, and is designed to encourage taxpayers to make contributions to promote child care in the state. The amount of the credit is 25 percent of the value of the contribution, but may not exceed $100,000. If the taxpayer's contribution includes in–kind contributions, the credit the taxpayer claims for the in–kind contributions may not exceed half the total credit the taxpayer claims. If the credit is greater than the contributor's Colorado income tax liability, the excess credit may be carried forward for up to five years.

Colorado also offers a credit to taxpayers who invest in tangible personal property to be used in the operation of a licensed child care center, family child care home or foster care home, in the amount of 20 percent of the investment, and a credit for employers who provide child care facilities that benefit their employees in the amount of 10 percent of the employer's investment during the tax year in tangible personal property to be used in the operation of the child care facility. Additionally, any taxpayer employing a person receiving public assistance pursuant to the Colorado Works Program may claim a credit for up to two years equal to 20 percent of the taxpayer's investment in providing child care or payment of child care costs for that employee. Neither Colorado's statutory language nor its tax forms restrict taxpayers from claiming multiple credits for qualifying contributions or investments.

WHEN ESTABLISHED

The current child care contribution credit has evolved from a credit initiated by individuals interested in expanding the supply of child care – and promoting employer–supported child care in particular – in the state of Colorado. The first child care contribution credit, which was in place for tax years 1989 through 1998, was established by expanding the then–existing tax credit mechanism for contributions to enterprise zones to include child care. In 1999, the enterprise zone limitation was dropped from the child care contribution credit, thus simplifying the program and solving the problem of a geographic mismatch between enterprise zones and child care needs. Contributions made in tax years beginning after January 1, 1999, qualify for the new, expanded child care contribution credit.

ANNUAL AMOUNT

No information is yet available on the amount generated by the new child care contribution credit, implemented in 1999. The previous enterprise zone child care contribution tax credit, which was equal to 25 percent of the value of a contribution to promote child care in an enterprise zone, was claimed by about 1,300 taxpayers and resulted in a tax expenditure of $720,000 in 1998, reflecting contributions of at least $2.88 million made for this purpose.

SERVICES FUNDED

"Promoting child care" is broadly defined and includes donating money, real estate or property for the establishment or operation of a child care facility program in Colorado; donating money to establish a grant or loan program for Colorado parents requiring financial assistance for child care; donating money for the training of child care providers in Colorado; pooling moneys of several businesses and donating such moneys for the establishment of a child care facility in Colorado; and donating money, services or equipment for the establishment of a child care resource and referral service in Colorado. Any contribution to a for-profit business is eligible for the credit only if it is directly used by the business for acquisition or improvement of facilities, equipment or services, including the improvement of staff salaries, staff training or the quality of child care.

No credit is available to a taxpayer who receives something of value in exchange for the contribution. According to explanatory documents created by the Colorado Department of Revenue's Taxpayer Service Division, however, "this will not restrict a company from contributing to a child care center and claiming a credit based on that donation if the employees of the company receive a benefit in the form of discounted child care," since "one of the prime goals of this tax credit is to encourage employers to contribute to child care for their employees." Nevertheless, the credit is not limited to employers, and can be claimed by any taxpayer making a qualifying contribution.

HOW FUNDS DISTRIBUTED

Taxpayers may make contributions directly to the selected child care program or facility. If a contribution is made to an intermediary organization, the donee organization must issue the taxpayer a statement setting out the portion of the contribution that was applied to purposes other than the promotion of child care, and no credit is available for this portion of the contribution. The taxpayer claims the credit when filing the year's income tax return.

POPULATION SERVED

Contributions may be made to any child care facility or program in Colorado (with the special requirements for contributions to for-profit businesses noted above), by any Colorado taxpayer, regardless of corporate status.

STRATEGIC CONSIDERATIONS

- A strength of this funding approach is that it builds on the voluntary sector. Thus, it is not perceived as a government program and allows taxpayers to choose where they want funds to go. Some policy-makers are concerned, however, that allowing taxpayers to choose where tax funds go undermines efficient policy choices in allocating resources. One way to respond to these concerns would be to craft a credit that includes incentives for funding certain particularly valuable or necessary services, e.g., allowing a larger credit when taxpayers contribute funds to high-quality child care programs.
- Credits may be more successful at encouraging contributions to or investment in child care if eligibility for these credits is not limited to employers alone, even when one purpose of the credit is to promote employer-supported child care. A broad credit encourages businesses that are unwilling to create a new child care employee benefits program to assist state and community child care operations, resulting in greater private investment in child care. A broad credit also provides an incentive to individuals to support child care. In 1998, when Colorado's credit still could be claimed only for contributions to promote child care in enterprise zones, about 1,300 taxpayers claimed the credit. In contrast, in most states with traditional employer child care credits for which information is available, fewer than 20 taxpayers claim the credit in any given tax year.
- Conversely, broad credits may result in greater revenue loss to a state, precisely because they are available to more taxpayers.
- In crafting state tax credits, attention should be paid to their broader interaction with the state and federal tax code. For instance, many taxpayers who claim contribution-based credits, like that available in Colorado, also will be eligible for a charitable deduction on their federal taxes. This in turn can further lower the taxpayer's state taxes, since federal taxable income is used as the basis for many state tax calculations. Similarly, in some states with more traditional employer child care credits, an employer can claim a credit for its expenses in providing child care to employees as well as deduct those expenses. Such interactions can further increase the tax benefit of contributing to child care.

OTHER SITES WITH SIMILAR STRATEGIES

In 1999, Maine adopted a "quality child care investment credit," effective tax year 2001. See the Start ME Right profile on page 78.

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TAX INCREMENT FINANCE DISTRICTS (MAINE)

DESCRIPTION

To encourage business and economic development in blighted areas, Maine authorized municipalities to set up development districts known as "Tax Increment Financing Districts" (TIFs). A municipality can retain all or part of the additional portion of all real and personal property taxes assessed by a municipality in the TIF for the purpose of financing a development program, sheltering part of the property value of a new development project so long as the revenue generated from the sheltered property value is used for a development program approved by the state. The Maine TIF permits child care as an allowable project cost.

Municipalities gain tax benefits during the term of the TIF. The taxes assessed on the captured value within the TIF (i.e. the property value increase) are exempted during the term of the district from Maine municipal revenue sharing and public education formulas, and from county taxes. TIF ensures that a municipality will not experience a reduction in public education and revenue sharing funds from the state, or an increase in county taxes during the term that it commits the TIF revenues to a development program.

WHEN ESTABLISHED

The TIF program was established in Maine in 1985. A 1999 amendment to the statute added child care costs. To date no TIFs have contained child care as a project cost.

ANNUAL AMOUNT

Funds are not allocated to a TIF. Municipal legislative bodies designate a TIF and can use the sheltered funds for child care costs associated with developing the area (e.g., the cost of child care for new employees in the TIF).

SERVICES FUNDED

The statute does not define "child care." The municipality would determine what range of child care services, e.g., family day care, child care centers, and school-age programs to allow and whether a limit on eligibility of families, e.g., family income, should be set.

HOW FUNDS DISTRIBUTED

A municipality must use the revenue generated by designating a TIF for authorized development programs, which can include the costs of child care needed within the TIF.

POPULATION SERVED

Municipalities determine allowable child care within the TIF.

STRATEGIC CONSIDERATIONS

- A TIF development program can, among other things, provide new employment opportunities, retain existing employment, improve physical facilities or remedy environmental hazards. Moreover, where a TIF is designated, a municipality can use a portion captured assessed value for certain related "project costs," including quality child care services, together with construction, staffing, training, certification and accreditation costs.
- Including child care within the list of TIF project costs that can be covered by municipalities was a significant achievement for child care advocates. Leading the effort was state Senator Susan Longley (D) who, upon studying the first *Financing Child Care* catalog, authored several pieces of legislation geared toward child care facilities financing. Senator Longley's legislation became part of a statewide children's initiative called "Start ME Right," (profiled on page 78).

  Many child care advocates are not yet certain about the TIF process. Although they are now aware that child care is an allowable project cost within a TIF, they do not understand the basics of municipal finance and/or the process of designating a TIF. Without training and education, child care advocates fear that innovative financing strategies like the TIF will remain unused for child care facilities.
- In Maine, designation of TIF districts falls squarely within the municipal domain. Thus, most TIF projects are approved by town meeting. In order for towns to begin including child care in proposed development projects, child care advocates must make their case to the town planning department (the department that handles real estate development projects) and to town selectmen. Child care advocates should consult their local planning department about pending real estate projects to begin discussions about the inclusion of child care in new projects.

OTHER SITES WITH SIMILAR STRATEGIES

No other examples of child care as a permissible use within a TIF are known.

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FEES

CHILD CARE DEVELOPER FEE LOAN PROGRAM (SANTA CRUZ, CALIFORNIA)

DESCRIPTION

The Child Care Developer Fee Loan Program requires any new real estate development projects to pay a fair share of the costs resulting from an adverse impact on child care (i.e. any increased demand for child care). This is accomplished by assessing fees or exactions "reasonably related" to the increased use of the child care system over the "useful life" of the project. Fees collected by the program are held in a separate Child Care Fee Trust. Funds in the trust are used for loans or grants to child care centers and family child care homes. Though called a "loan," the child care loans can be repaid by monthly payment or by providing increased service to children in the county. The majority of recipients opt to offer increased services, and so the loans are more likely to function and be treated as grants.

WHEN ESTABLISHED

The Child Care Developer Fee Loan Program was established in statute in 1992 by the County of Santa Cruz.

ANNUAL AMOUNT

The annual loan volume has ranged from $50,000 to $100,000. The average loan amount is approximately $5,000, though loans have been approved for as much as $46,000. Between 1992 and 1998, 44 loans were approved for child care facilities (25 centers and 15 family day care homes). Loan program participants are required to seek additional funds. In 1998, the total loan amount of $80,000 was matched by $194,000 of other funds. In 1999, the loan program had $165,000 available.

SERVICES FUNDED

Child care loans are available to child care centers and family child care homes, and can be used for construction, repair or rehabilitation costs associated with the site and its buildings, as well as operations costs, such as personnel, shelter, food, education and play opportunities. Through the loan program, 818 child care slots have been maintained, and 346 have been developed. On average, $525 in funding has been contributed per child, per slot.

HOW FUNDS DISTRIBUTED

Fees collected by the program are held in a separate Child Care Fee Trust maintained by the county auditor-controller in trust for child care purposes and are administered by the County Human Resources Agency, with approval by the Board of Supervisors. Providers apply to the Human Resources Agency for loan funds. In 1999, the loan program received the largest number of applications in its history – 17 applications seeking more than $400,000 in funds, although less than half that amount was available. When the requests from applicants outstrip available funding, the loan program bases decisions on community need. For example, priority was given in 1999 to expansion of infant care.

POPULATION SERVED

Any licensed child care center or licensed family child care home that serves residents of Santa Cruz County and is located in the county can receive funds through the program. Funds are available for infant, toddler, preschool and after-school care programs serving children up to age 14.

STRATEGIC CONSIDERATIONS

- In the real estate world, this type of fee scheme is called a "linkage program" because it connects the relationship of local services (e.g., garbage pick-up, school busing, traffic flow) to the impact of development and charges the developer a fee to mitigate any adverse effects.
- In terms of funds available, the Child Care Developer Fee Loan Program has a relatively small pot. For larger child care programs, the loans function as gap financing or as start-up/seed money used as a means to leverage other funds. Applicants are typically asked to seek matching funds, so that each loan can be leveraged to access other funds. This requirement ensures bigger returns on the loans by encouraging providers to seek other resources to help their programs.
- Loan staff have found that the funds are particularly helpful to family child care providers who are able to do significant renovations with small grants under $30,000. Priority also is given to providers who have safety issues that may cause them to close. Thus, the loan funds are used as a type of emergency grant to prevent local centers or programs from closing. They can pay back the loans "in kind," through increased services, enabling providers who would not be able to get traditional loans to access funds.
- Outreach efforts aimed at hard-to-reach providers, particularly those serving the county's migrant workers, have been fairly fruitful. Direct mailings to family child care and center providers and work with the local child care resource and referral agency to spread the word at provider workshops and forums have been effective.

OTHER SITES WITH SIMILAR STRATEGIES

The cities of San Francisco and Concord, California, have similar developer fee programs.

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"INVEST IN CHILDREN" LICENSE PLATE (MASSACHUSETTS)

DESCRIPTION

An "Invest in Children" specialty license plate was developed and is sold to fund a Child Care Quality Fund.

WHEN ESTABLISHED

The bill was enacted in 1996, and the specialty license plates became available in 1998.

ANNUAL AMOUNT

As of August 1999, a total of 6,045 license plates had been sold, generating $170,000 for the Child Care Quality Fund. A "Special Plate Fee" of $40 is charged once every two years, with $28 of the $40 renewal deposited in the fund. The first grant awards were announced in July 1999 and were made to nine nonprofit providers for a total of more than $84,000.

SERVICES FUNDED

Quality improvements in two basic areas are funded: teacher training opportunities and the purchase of equipment and materials (books, computers, etc.).

HOW FUNDS DISTRIBUTED

The state Office of Child Care Services (OCCS) administers the fund, which offers competitive grants to nonprofit child care organizations.

POPULATION SERVED

Any nonprofit child care program in Massachusetts, and the children and families it serves, is a potential beneficiary.

STRATEGIC CONSIDERATIONS

- The United Way of Massachusetts Bay decided to focus the efforts of Boston's Success By 6 volunteers on influencing public policy and felt that the license plate legislation was a tangible product that would engage its volunteers. Further, when United Way calculated the level of projected revenue, it decided the best use of funds would be increasing the quality of early care and education programs.
- Buying a specialty plate is a voluntary act. A license plate offers the buyer both a tangible item and a symbol of support for children.
- One theory about how to make good child care affordable to families holds that if various cost centers in the production of child care services (e.g., food, staff development and facility construction) could be supported through separate revenue sources independent of parent fees, the price of child care for

families could be made affordable. Creating a dedicated fund for quality improvement has the long-term potential to affect the price of child care paid by consumers.

- The "Invest in Children" license plate has primarily served as a positive public relations and public education strategy.
- The fee charged by the registry for all specialty plates was increased, which might have initially discouraged participation. However, at this point there are about 300 additional sales each month, and the "Invest in Children" license plates are becoming more widely recognized and increasing in popularity.

OTHER SITES WITH SIMILAR STRATEGIES

Nine other states have some kind of specialty license plate relating to children's issues: Alabama (for education), California (for child health and safety), Connecticut (Keep Kids Safe), Florida (one for education, one for an early intervention trust fund and one for juvenile delinquency prevention), Indiana (Kids First), Louisiana (for child safety), Missouri (Children's Trust Fund), Oregon (child abuse prevention) and Tennessee (Helping Schools). This is the first license plate specifically supporting child care, and it can be viewed at www.state.ma.us/rmv/express/kids.htm

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MOTOR VEHICLE REGISTRATION CHILD CARE ASSISTANCE ACCOUNT (KENTUCKY)

DESCRIPTION

The Motor Vehicle Registration Child Care Assistance Account (Child Care Assistance Account) gives any person requesting a certificate of registration or renewal of registration for any type of motor vehicle the opportunity to donate one dollar or more to the account. The account was established to assist families whose income exceeds the state income eligibility limits for public child care subsidies to pay for their child care expenses.

WHEN ESTABLISHED

The Child Care Assistance Account was established in statute by the Kentucky General Assembly in 1998.

ANNUAL AMOUNT

In 1999, the fund generated $7,000 in donations. Donations to the state fund were authorized to be collected beginning July 1, 1998. However, county motor vehicles offices did not begin to collect donations until April 1999.

SERVICES FUNDED

Funds collected by the Child Care Assistance Account can be used toward the cost of any type of regulated child care as long as the children are in care so their parent(s) can work. This includes child care centers, family child care homes and school-age child care programs.

HOW FUNDS DISTRIBUTED

The funds are collected by the county Department of Motor Vehicles Offices and sent to the state Department of Transportation, which forwards them to the state Division of Child Care Services. The funds are then redistributed to the counties through five regional service agents who administer the program.

POPULATION SERVED

The funds can be used by working families whose income exceeds the state income eligibility limits for child care assistance, that is, above 160 percent of the federal poverty income guidelines.

STRATEGIC CONSIDERATIONS

- The Child Care Assistance Account was originally proposed for target families with incomes from 133 to 150 percent of the federal poverty income guidelines, but was changed to target families with incomes above the state child care subsidy level, which is 160 percent of the federal poverty income guideline. Advocates noted that this change would allow the funds to be used more flexibly by counties. The fund automatically responds to subsequent changes in eligibility levels for state subsidy.

- While the creation of the voluntary fund was applauded by advocates, they did caution that one disadvantage of voluntary fund is that it puts a burden on child care advocates to raise public awareness to stimulate donations. Without proper public relations funds, advocates will not be able to do that. Posters announcing the program took a long time to be printed, and they were posted throughout the state well after county motor vehicles offices began to accept donations to the fund.
- Other problems related to lack of public education regarding the voluntary fund also have emerged. In Kentucky, most people renew motor vehicle registrations by postcard. Their option to donate to child care is written in very small print, and there is no line to include a contribution to the total paid. To remedy this problem, legislation will be introduced in 2000 to redesign the renewal form so that the child care donation request is prominent on the postcard.
- The state fund was modeled after the Child Care Fund, a campaign started in Lexington-Fayette County (Kentucky). The Child Care Fund was formed by a coalition of citizens, including representatives from local businesses, the faith community and the Child Care Council, to collect $1 from each Lexington-Fayette County citizen to support a fund that would supplement the child care costs of low-income working parents. The fund encourages businesses and individuals to sponsor a child at $25 per week for 50 weeks, or $1,250 per year. Child care rates in Lexington-Fayette range from $95 to $115 per week, so the assistance of $25 per week is a significant contribution for working families.
- Motivated by the success of the Lexington-Fayette Child Care Fund, a member of the board spoke to the clerk of the Fayette County Department of Motor Vehicles Office about creating a state fund to collect voluntary donations to child care through motor vehicle registration renewal. Conversation with other clerks around the state generated enough interest to convince State Representative Jessie Crenshaw (D) to file the Motor Vehicle Registration Child Care Assistance Account Act.

OTHER SITES WITH SIMILAR STRATEGIES

No other examples of this financing strategy are known.

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LOTTERIES AND GAMING

EARLY CHILDHOOD DEVELOPMENT, EDUCATION AND CARE FUND (MISSOURI)

DESCRIPTION

The Early Childhood Development, Education and Care (ECDEC) Fund supports start-up, expansion, operation and improvement of preschool programs; certificates for low-income families (defined as below 185 percent of the federal poverty income guidelines) to purchase early childhood development, care and education; increased rates of child care subsidy reimbursement for accredited programs; and certificates for early childhood education for low-income families with children under age 3 who care for their children at home. The ECDEC Fund receives funding from the Gaming Commission Fund, which is the repository for state revenues from gambling fees.

WHEN ESTABLISHED

Legislation was passed in 1998 establishing the ECDEC Fund for FY1999. The first appropriation was authorized in May 1999. The first programs began operating in the 1999-00 school year.

ANNUAL AMOUNT

For FY1999-00, the ECDEC Fund appropriation is approximately $21 million. The annual total in the ECDEC Fund is defined as 100 percent of the "remaining net proceeds" of the Gaming Commission Fund, determined after supporting several veterans' and national guard programs (approximately $9 million). In any given year, the ECDEC Fund is subject to appropriation. Funds are administered by the Department of Elementary and Secondary Education (DESE) and the Department of Social Services (DSS). The statutory allocation of these funds is as follows:

- 60 percent for a competitive grant program to support early childhood development, education and care programs;
  - 48 percent is appropriated to DESE;
  - 12 percent is appropriated to DSS;
- 30 percent to DSS;
  - 10 percent for certificates for low-income families to purchase early childhood development, education and care;
  - 10 percent for subsidy rate increases for accredited centers and homes;
  - 10 percent for certificates for low-income families with children under age 3 whose parents stay at home with the children to purchase early childhood education; and
- 10 percent undesignated and jointly administered by DESE and DSS, which may be used for an evaluation, which is required by statute.

SERVICES FUNDED

The ECDEC Fund expands access and improves the quality of services. Programs funded through DSS are required to meet state child care licensing requirements within one year of receiving funds. Programs funded through DESE must commit to becoming state-licensed within one year of receiving a grant and to becoming accredited within three years. In addition to Missouri's own early childhood accreditation, accreditation systems of five national organizations are accepted by DSS: National Association for the Education of Young Children (NAEYC), National Association for Family Child Care, Council on Accreditation of Services for Children and Families, National Early Childhood Program Accreditation and National School Age Care Alliance. Only Missouri accreditation and NAEYC accreditation are accepted by DESE. The legislation requires DESE and DSS to conduct a four-year evaluation study with program and comparison groups to determine program impact and report the results to the legislature in 2002.

HOW FUNDS DISTRIBUTED

The competitive preschool program funds (the first 60 percent) are distributed through grants, with DESE and DSS holding separate competitions. Preference is given for new programs, programs targeted to areas of the state with high need, programs for children with special needs, programs that offer non-traditional hours and/or those which serve high concentrations of low-income families. The legislation requires that community input into applications for funding must be documented and that public school programs must establish a parent advisory committee.

For FY1999-00, the DESE preschool program funds were distributed through a two-phase competitive grant: the first round was limited to public school districts; the second round was open to all providers of early education for 3- and 4-year-olds. A portion of the DSS competitive preschool funds for FY1999-00 was used for a grants program to create community partnerships between Early Head Start grantees and family child care homes and centers. These grants will improve the quality of services in these sites and offer certificates to parents to purchase care in them.

The DSS funds are distributed through the same mechanism as other child care subsidies and certificates. The subsidy rate increase for accredited programs is 20 percent above a program's current rate. The six accreditation systems noted above are accepted. The 10 percent allocated to certificates for low-income families with children under 3 whose parents are at home was to be a competitive grant program to communities, beginning in 2000.

POPULATION SERVED

ECDEC-funded programs are for children from birth to the age of kindergarten entrance, with one exception. DSS added some federal child care funds (Child Care and Development Fund) to the ECDEC funds, which allows school-age care programs to receive the accreditation subsidy rate increases.

STRATEGIC CONSIDERATIONS

- To achieve the outcomes envisioned for the ECDEC Fund, a systems approach is necessary to fit together in a coordinated and complementary way all the funding streams (federal, state, and local) and to work across state agencies. In essence, DESE concentrates on 3- and 4-year-olds while DSS focuses on children under 3.
- The Early Childhood Inter-agency Team (ECIT) is the mechanism for coordination used in Missouri. Four state agencies are involved: education, social services, mental health, and health along with the Head Start-State Collaboration Office. The ECIT is supported by the heads of each agency; its members are the managers of the early childhood-related programs within the agencies. The ECIT was developed in 1997 through challenge grants from the Ewing Marion Kauffman Foundation and the Danforth Foundation to provide a mechanism to encourage greater collaboration among agencies.
- The design of Missouri's program gives both the social service and the education agencies a stake in the program. Although most of the funding is administered by one of these two agencies on its own, joint administration of some ECDEC funds and the existence of the ECIT provide opportunities for coordinated efforts. The fact that all sectors of the child care community—school-based, community-based and home-based—can participate encourages broader support than would an approach with a narrower focus and provides opportunities for collaboration among sectors.
- Including young children whose parents care for them at home recognized the fact that some legislators are particularly concerned about providing support for these families.
- The ECDEC Fund was a major recommendation of the 1997 Governor's Commission on Early Childhood Care and Education. Governor Mel Carnahan's (D) interest in early childhood, and his decision to set up the commission, were strongly influenced by brain development research, in particular the 1997 book, *Inside the Brain: Revolutionary Discoveries of How the Brain Works* by Ronald Kotulak[1].
- The legislation requires DESE and DSS to conduct a four-year evaluation to determine program impact and to report the results to the legislature in 2002. Evaluation is an important consideration that is not always addressed when new programs are created.
- While state-sanctioned gambling is controversial, it is a solid source of revenue in Missouri. In statewide referendums, the voters have twice approved gambling. Moneys deposited in the Gaming Commission fund are defined in the statute as "state funds [and] shall not be considered proceeds of gambling operations." (313.3851.)

OTHER SITES WITH SIMILAR STRATEGIES

Thirty-seven states have lotteries, and at least 10 states have legalized casino gambling. Florida and Georgia fund preschool programs with their state lottery proceeds. Forty-one states and the District of Columbia now have at least one state-funded preschool program.

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[1] Kotulak Ronald (1997). *Inside the Brain: Revolutionary Discoveries of How the Brain Works.* Kansas City, MO: Andrews McMeel Publishing.

THE GEORGIA LOTTERY FOR EDUCATION (GEORGIA)

DESCRIPTION

The Georgia Lottery for Education makes funds available to support the cost of prekindergarten and college education for Georgia children and families. Funds also are generated to support capital projects related to education, including computers and other technology for schools. The legislation expressly states that lottery funds must be used to supplement, not supplant, existing resources for educational purposes and programs.

WHEN ESTABLISHED

The legislation was approved by the voters in 1992. Lottery tickets went on sale in June 1993.

ANNUAL AMOUNT

Lottery appropriations for FY 2000 included $224 million for prekindergarten, $235 million for HOPE (Helping Outstanding Pupils Educationally) college scholarships and $82 million for capital projects.

SERVICES FUNDED

The Georgia lottery was established to raise funds for three purposes: 1) prekindergarten programs; 2) college scholarships, grants and loans; and 3) capital outlay projects for educational facilities.

Prekindergarten funds pay for staff, materials, equipment, in-service training (which is required) and other program expenses. To receive funds, programs must offer prekindergarten services for at least six-and-a-half hours per day and may provide transportation and family support services to income-eligible families who want and need them. (Income-eligible families include those eligible for Medicaid, Temporary Assistance for Needy Families (TANF), food stamps, Supplemental Security Income (SSI) and free or reduced school lunch.) Prekindergarten services are provided in a wide range of settings, including nonprofit and proprietary child care centers, as well as public schools.

HOW FUNDS DISTRIBUTED

Thirty-five percent of net lottery proceeds is transferred by the Georgia Lottery Commission to an education account each quarter. From this account, the legislature makes appropriations for each of the three priority areas.

Funds for prekindergarten services are administered by a state agency, the Office of School Readiness, which is an independent agency that was established by law on April 15, 1996. It is directly accountable to the governor. The Office of School Readiness contracts directly with various programs to provide prekindergarten services. Parents apply for prekindergarten at their local school or at an early childhood program that has been selected to provide those services. No parent fees may be charged for the prekindergarten services unless the program operates for more than six-and-a-half hours a day and/or more than 180 days per year. Before and after school programs or summer programs may charge for those services. Low-income families may apply for child care subsidies to help pay for the additional fees. The Office of School Readiness has negotiated an interagency agreement with the Department of Human Resources, Division of Family and Children's Services, to facilitate payment of child care subsidies.

POPULATION SERVED

Proceeds from the Georgia Lottery for Education support services that are made available to families at all socio-economic levels. The Georgia prekindergarten program is targeted to 4-year-old children and was initially limited to low-income children at risk of school failure. In state fiscal year 1995-96, however, the program was opened to all 4-year-old children, regardless of income, and now serves more than 62,000 children.

STRATEGIC CONSIDERATIONS

- Governor Zell Miller (D) made the Lottery for Education a cornerstone of his election campaign. He promised the voters that he would give them the opportunity to vote on a constitutional amendment to establish a lottery, and that if they approved the amendment, he would dedicate the funds to ensuring that preschool and college educations were available to all Georgia families and to expanding technology in the public schools.
- Making it clear that lottery funds would be dedicated for specific purposes and ensuring that the law prohibited the funds from being used to supplant current expenditures was extremely important to the success of this initiative.
- Targeting lottery funds to preschool programs and college education (the two parts of the educational system that are supported largely by private tuition) and making these services available to families at all income levels helped to garner support from a broad constituency.
- Allowing private proprietary and nonprofit child care programs to apply for prekindergarten funds helped to reduce opposition to the proposal from private child care program operators.

- The Office of School Readiness stresses that the purpose of the Georgia prekindergarten is school readiness (not child care) and that participation is voluntary.
- Rapid growth of the prekindergarten program (from 750 children in 1992 to 62,500 in 2000) has resulted in a number of administrative challenges. Additionally, developing policies that work effectively with a wide range of providers (nonprofit and proprietary, in the public and private sectors) has not been easy.
- The governor moved the prekindergarten program out of the state Department of Education into a separate agency, the Office of School Readiness, created specifically for this purpose. This reorganization was designed to establish a stronger, more institutionalized base of support for the prekindergarten program and make it easier to coordinate early education and child care funds from various sources. Unlike the state Department of Education, which has an elected chief, the director of the Office of School Readiness is appointed by the governor. In addition to administering the prekindergarten program, the office is currently responsible for the child care food program and for licensing and monitoring the private-sector child care programs that participate in the prekindergarten program. This also means that the funds are not administered by local school districts.
- Regardless of the purpose for which the funds are used, public lotteries are often controversial. Many voters and policy-makers question the wisdom of government urging people to gamble frequently, especially when research shows that low-income people are the heaviest purchasers of lottery tickets. Critics point to the large advertising budgets of state lotteries as well as the lack of regulation of the advertising. Some opponents also feel that government lottery advertising has helped to promote community-wide acceptance of gambling and contributed to the rapid spread of casino gambling.

OTHER SITES WITH SIMILAR STRATEGIES

Thirty-six states, in addition to Georgia, operate lotteries. Twelve others, in addition to Georgia, – California, Florida, Idaho, Illinois, Massachusetts, Michigan, Montana, New Hampshire, New Jersey, New York, Ohio and West Virginia – dedicate a portion of all lottery profits toward K-12 or higher education. Concerns have been raised, however, that in many states lottery profits do not represent additional dollars for education, but simply replace general fund dollars that would have been spent on education.

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ALLOCATING PUBLIC REVENUES

States are increasingly allocating their public revenues to child care, using a variety of rationales to make the case in favor of greater investment. The number and scope of the state and local governmental agencies involved with child care financing and programming has expanded significantly since the last edition of the catalog was published in 1997.

SOCIAL AND HUMAN SERVICES

A number of states have opted to transfer welfare funds, also known as Temporary Assistance for Needy Families (TANF), to their subsidized child care programs. The most prominent example of this approach is covered in the profile on the Rhode Island Child Care Entitlement, which successfully consolidates federal child care and welfare funding. Rhode Island's approach highlights a new concept for subsidized child care: distinctions are no longer made among families based on current or past welfare status. Instead, the state program draws upon multiple funding streams, recognizes that the need for child care is driven by parental work or training, and that working families with incomes of up to about $30,000 annually need assistance paying for child care.

Some states have tapped TANF resources to focus on improving child care quality or increasing child care capacity. Iowa has applied TANF funds to strengthen local child care capacity as part of an overall, comprehensive approach to supporting child development. Florida, too, has used TANF to increase supply. Washington has sought to take advantage of TANF's flexibility by providing new incentives that simultaneously boost the number of centers accepting subsidized child care payments while creating wage ladders and improved pay for staff at these centers. Connecticut takes advantage of TANF's flexibility to help support its comprehensive approach to school readiness.

TANF is an important, but certainly not the only, source of social or human service revenue that can be applied to child care. State general funds are often allocated through state agencies with an immediate and direct relationship to child care. Prominent among the general revenue supporting quality improvement in child care is Wisconsin's Child Care Quality Improvement Initiatives and Vermont's Quality Incentive Bonus. Each is administered through the state agency charged with oversight of the child care program. Minnesota is leading the country through its decision to reserve state funding to provide a financial incentive to low- and middle-income parents to stay at home with their infants. North Carolina, already an innovator with its T.E.A.C.H. Early Childhood® Program, has tapped general fund resources to address the health insurance and compensation problems that plague the child care field.

HEALTH

Child health and safety in child care settings pose serious public health concerns. Also of concern is the fact that child care employees are often without health insurance coverage, since many child care programs do not provide health insurance as a benefit to their staff, and wages are typically too low to allow staff to purchase health insurance on their own. States have started to tackle these problems through their public health, tobacco and Medicaid financing streams.

In Pennsylvania, the American Academy of Pediatrics (AAP) developed a model child care public health program. Known as the Early Childhood Education Linkage System (ECELS), the program combines federal maternal and child health funds with the federally allocated, state-controlled Child Care and Development Fund (CCDF) dollars. New Hampshire has elected to use state health funds to support after-school programs through PlusTime New Hampshire, as part of its public health prevention strategy.

Child care analysts eagerly anticipated state tobacco settlement funds as a source of public revenue that could be allocated for child care. Maine took the lead in earmarking a substantial proportion of its tobacco funding for a comprehensive early childhood initiative. Maine is joined by a few other states, but the tobacco funds have not yet been tapped routinely as a child care funding stream. For up-to-date information on the use of the tobacco money see The Finance Project's website, www.financeproject.org or the National Conference of State Legislatures: www.ncsl.org.

Some states are exploring use of publicly-supported adult health insurance programs to meet the needs of working adults who do not have access to health insurance. Since child care teachers and providers often fall within the stringent definitions of poverty and near-poverty demanded for participation, these efforts offer a new opportunity from which child care staff may benefit. Two funding streams for this approach include Medicaid and the tobacco settlement funds. Rhode Island's effort is already in operation, leveraging Medicaid dollars to increase the availability of health insurance for child care staff. For up-to-date information on progress in health insurance coverage for working adults, including child care teachers and providers, contact Jocelyn Guyer, Policy Analyst, Center on Budget and Policy Priorities, 820 First Street, NE, Suite 510, Washington DC 20002, (202) 408-1080, E-mail: jguyer@cbpp.org

EDUCATION

Education is a powerful rationale for the allocation of state general fund revenue. The two most common programmatic approaches supported through state education agencies are preschool programs and after-school programs.

An explosion of preschool child care funding has occurred as part of the education system, illustrated by the chart on page 81, and highlighted in a series of profiles on Massachusetts, New Jersey, New York and Texas. Many of the programs supported under the "prekindergarten" or "preschool" rubric are part-day, part-year programs. The profiles reflect the changing orientation of state-funded prekindergarten programs. The Texas program, as the longest standing effort reviewed, requires that its program be offered in public school classrooms, although partnerships with Head Start and other child care programs are permitted. The newer approaches, exemplified by the New York State Universal PreKindergarten Program, New Jersey Early Childhood Program Aid and the Massachusetts Community Partnerships for Children place prekindergarten programs in community child care sites and frequently require that community child care programs be included in the new "pre-k" system. Following Texas' early lead, these newer prekindergarten efforts often require teacher certification (i.e. Massachusetts, New Jersey, New York). Use of programs standards through accreditation is gaining in popularity as evidenced by the Massachusetts approach.

Financing for after-school programs is also connected to the state education agencies, with California and Hawaii sharing a common goal: to improve children's academic achievement. Hawaii's A+Plus program was founded in 1990 and is the nation's oldest universal after-school program. All children attending public elementary schools in Hawaii whose parents are working or in school are potential program participants.

HIGHER EDUCATION

Higher education is starting to contribute to the financing of child care. The University of California at Santa Cruz profile provides an illustration of how financial aid provided through higher education may take the child care expenses of student parents into account. Profiles on campus-based child care centers show ways in which revenue from university sources as diverse as a university-controlled college bookstore, cafeteria, housing services and hospital can be successfully consolidated to help support child care centers serving the children of university students.

CRIME PREVENTION AND JUSTICE

Crime prevention provides a strategic rationale for supporting child care, with some states adopting support for after-school programs as a crime-prevention approach. North Carolina's Support Our Students (SOS) provides one example. Another approach has been developed by New York, working through its court system. Drop-in child care centers have been established in its state courts, leveraging federal child care funds with state judicial funds to sustain these services.

LOCAL GOVERNMENT

Local governments are responding by developing a range of financing strategies for child care. New York City has a specialized youth department that oversees the allocation of nearly $40 million in general fund revenue for the provision of community services – including structured after-school programs – in more than 80 public schools. San Francisco's Compensation and Retention Encourage Stability (CARES) program allocates more than $1 million of city funding to help child care professionals improve their educational credentials and to promote the retention of skilled staff in centers and family child care homes. Fairfax County, Virginia and New York City's Board of Education have focused on capital investment designed to increase the supply of child care and after-school programs. Montgomery County, Maryland opted to respond to the shortage of state subsidy money for child care by designing and administering an additional, complementary approach.

SOCIAL AND HUMAN SERVICES

RHODE ISLAND CHILD CARE ENTITLEMENT (RHODE ISLAND)

DESCRIPTION

Rhode Island has established a child care entitlement program to help pay the child care costs of families with limited earnings (at or below 250 percent of the federal poverty level, which is about $34,000 a year for a family of three).

WHEN ESTABLISHED

The child care entitlement was initially established as part of welfare reform legislation, the Rhode Island Family Independence Act, enacted in August 1996. It was expanded (to raise the eligibility ceiling and cover children age 13 to 16) as part of Starting RIte legislation, which passed in 1998.

ANNUAL AMOUNT

Rhode Island estimated FY2000 expenditures of $42.4 million (for approximately 9,000 children). Funding comes from the federal Child Care and Development Fund (CCDF), Temporary Assistance for Needy Families (TANF) fund transfer and state general revenues.

SERVICES FUNDED

The subsidies may be used to purchase any form of legal child care: centers, family child care homes, in-home child care or care provided by relatives. Parents choose the type of care they prefer. Approximately 70 percent of subsidized children are cared for by regulated providers.

HOW FUNDS DISTRIBUTED

Funds are administered as portable subsidies (vouchers), tied to a specific child and program. Child care providers are reimbursed by the Rhode Island Department of Human Services every four weeks. Co-payments are collected from families by the child care providers.

POPULATION SERVED

All families with incomes at or below 250 percent of poverty (about $34,000 for a family of three for 2000) are entitled to a child care subsidy. Families must be employed or in an education or training program and have a child age 16 or younger who needs child care for all or part of the day. Families who are not participating in Temporary Assistance for Needy Families (TANF) are required to contribute to the cost of child care through a co-payment. The co-payment is approximately 3 percent of gross income for families with incomes between 100 percent and150 percent of poverty and 2 percent of gross income for families with incomes at or below the poverty level.

STRATEGIC CONSIDERATIONS

- Rhode Island is the only state in the country in which child care is guaranteed to families based on income alone, without reference to welfare status or time limits. Families are eligible if they are working or enrolled in education and training programs.
- Passage of the child care entitlement was a critical part of Rhode Island's vision that child care and health care are the building blocks that must be in place to ensure successful, sustainable transitions to the work force.
- In addition to providing child care as an employment support for low-income families, Rhode Island is committed to ensuring that all children have access to the high quality care and learning opportunities they need to succeed in school and life. To this end, the state included an additional $7 million in the 1998 Starting RIte legislation to support several quality improvement initiatives. These included: improved provider reimbursement rates (to reach the 75th percentile–a 32 percent increase); expanded training for child care providers; support for early childhood program accreditation; innovation and start-up grants to expand the quality and supply of early childhood and school-age child care programs; and grants to expand the number of children that receive comprehensive services in Head Start and/or child care programs.
- Strong leadership from Governor Lincoln C. Almond (R), State Representative Nancy Benoit (D) and Department of Human Services Commissioner Christine Ferguson was instrumental in passing this legislation.

OTHER SITES WITH SIMILAR STRATEGIES

No other examples of a state electing to use general funds, CCDF and TANF funds for a child care entitlement are known.

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AT-HOME INFANT CHILD CARE PROGRAM (MINNESOTA)

DESCRIPTION

Minnesota's At-Home Infant Child Care Program (AHIC) makes subsidies available to low-income parents who are not receiving public assistance and who choose to stay home to care for an infant.

WHEN ESTABLISHED

Legislation was passed in 1997 and implemented in July 1998.

ANNUAL AMOUNT

Each year the state sets aside up to 7 percent of the funds appropriated for the Basic Sliding Fee program (Minnesota's federal and state funded child care subsidy program) for AHIC. In FY98 $3.5 million was set aside and $31,000 was spent. Unspent funds were made available for the remainder of the Basic Sliding Fee program.

SERVICES FUNDED

AHIC provides eligible parents with a monthly stipend equal to the Basic Sliding Fee program rate in their county, minus the parent share of the fee. The parent share (or co-payment) is based on family income. The AHIC rate is 75 percent of the approved hourly infant rate for the county. A few examples are:

- A Minneapolis two-parent family with two children (one toddler and one infant) and one fully employed parent who earned $10,610 a year would receive $415 per month.
- The same family would receive $373 per month if one fully employed parent earned $20,000 a year.
- The same family would receive $104 per month if one fully employed parent earned $30,610 a year.

A family is limited to a lifetime total of 12 months of AHIC.

POPULATION SERVED

The program has served 87 families since it was implemented in 1998. The average length of participation is three months, and the average benefit is $1,486.

HOW FUNDS DISTRIBUTED

The state allocates funds to the county social service departments, which in turn administer the funding as a part of the Basic Sliding Fee program. The counties are responsible for accepting applications from, and mailing checks to, eligible parents. Counties have the flexibility to determine how application is made as long as they provide at least two methods of application. In some counties parents can apply by mail. Families may apply for AHIC before the child is born or anytime during the child's first year, but funds are not retroactive. Funds are awarded on a first-come-first-served basis. Each county maintains a waiting list if the available funds are depleted.

POPULATION SERVED

Low-income parents who are at least 18 years old and choose to stay at home with a child who is less than 1 year old may apply for AHIC. Eligible parents include birthparents, adoptive parents or stepparents. Parents must:

- Have been working, going to school or looking for work before the child was born;
- Have a family income at or below 75 percent of the state median income ($34,274 for family of 3);
- Provide full-time care for the child in the child's home as well as for any other children in the family that are eligible for subsidized child care.

STRATEGIC CONSIDERATIONS

- The AHIC program builds on Minnesota's long-term, successful child care subsidy program—the Basic Sliding Fee program. AHIC is designed to respond to the needs of children and families, offers a less expensive alternative to paying for infant care and addresses the severe shortage of quality infant care.
- Some organizations and individuals were initially concerned that AHIC would draw funds away from the Basic Sliding Fee program and make it more difficult for working families to obtain subsidized child care. But, at least in the first year of implementation, this has not been the case. Participation has been slow. The Minnesota Department of Children, Families and Learning recently published a brochure that explains the program and provided training to county staff on implementation of the program. Participation is likely to increase as more families learn about the program.
- Minnesota exempts public assistance recipients with children less than 1 year old from participating in employment. This allows these families to remain at home with an infant without participating in AHIC.

OTHER SITES WITH SIMILAR STRATEGIES

Missouri recently set aside funds for an initiative to support parents who choose to stay at home and care for their own children. For more information, contact Doris Hallford, from the Missouri Department of Social Services, at (573) 522 1137.

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CHILD CARE QUALITY IMPROVEMENT INITIATIVES (WISCONSIN)

DESCRIPTION

Wisconsin has established two initiatives that provide continuous direct aid to early childhood programs to improve the quality of care. The Quality Improvement and Staff Retention Grants program provides funding to selected child care centers and homes that comply with, or are working on a plan to comply with, the state's quality standards. The Early Childhood Excellence Initiative is a new grants program, designed to support high-quality child care centers in low-income neighborhoods.

WHEN ESTABLISHED

The Quality Improvement Grants Program was established in 1991. Funds for the Early Childhood Excellence Initiative were allocated in 1999.

ANNUAL AMOUNT

The state allocated $1.4 million for Quality Improvement Grants and Staff Retention Grants program in FY1999-2000. Additionally, $200,000 was used to support intensive technical assistance to participating programs.

A total of $15 million was allocated for the Early Childhood Excellence Initiative in FY1999-2000. Of this amount, up to $10.5 million was awarded to Early Childhood Excellence Centers, $1.5 million was awarded to the University of Wisconsin-Extension for training and technical assistance and evaluation of the Excellence Centers, and $3 million was awarded to provide grants to other child care programs and family day care providers to help them establish high-quality early childhood learning programs in the communities where the Early Childhood Excellence Centers are located.

SERVICES FUNDED

First-year Quality Improvement Staff Retention Grant funds are intended to assist providers in meeting the state's quality standards. These funds may be may be used for a variety of purposes, including: staff training, equipment needed to achieve accreditation or improve overall center quality, substitutes to allow staff release time to work on accreditation or attend training and increased compensation linked to increased training. Continuing Quality Improvement Grants are focused on staff retention and may be used only for wages, benefits, training and other staff costs, but not for supplies, facility costs or lowering fees. First-year grants are $1,400 for a family child care home, $4,500 for smaller centers, $9,000 for large centers, and $30,000 for a multisite organization.

Once programs have met the state's quality standards, they are eligible to apply for a Continuing Quality Improvement Grant for Staff Retention. These grants are based on the number of publicly subsidized children served in the program. Child care centers receive $200 per subsidized child–up to a maximum of $30,000, and family child care homes receive $200 per subsidized child – up to a maximum of $1,500. Additionally, all programs – whether or not they serve subsidized children – are eligible for a minimum staff–retention grant of $400, $1,500 or $3,000 depending on their size.

Early Childhood Excellence Center grant funds may be used for: staff training, a portion of the first year's operating costs, personnel costs, supplies, allowable equipment and minor remodeling. Up to 5 percent of the grant award amount may be used for administrative costs.

HOW FUNDS DISTRIBUTED

Funds are awarded as grants, directly to the early childhood programs that are selected by the Office of Child Care via a Request for Proposals.

Quality Improvement Grant selections are made with input from the state Department of Workforce Development and the Wisconsin Early Childhood Association. Programs that are selected for these grants also receive targeted technical assistance, which is provided by a nonprofit organization with whom the state contracts. All new grantees receive orientation training and two site visits. More intensive technical assistance (on issues such as achieving accreditation, creating a staff development plan, increasing staff compensation and reducing turnover) is provided to 50 selected centers in two–year cycles. Additionally, all participating providers are eligible to attend cluster training, a director's retreat, and a director's caucus.

The Early Childhood Excellence Center program is new. The first awards were slated to be made in FY2000–01.

POPULATION SERVED

Quality improvement and staff retention funds are available to nonprofit and proprietary child care programs that serve families at all income levels. Participating programs must have been licensed for three years or more and have no serious licensing violations. Additionally, the programs must have developed a plan to meet the state's quality standards. These standards include: achieving accreditation, ensuring that all teachers have at least a Child Development Associate (CDA) credential, ensuring that the director has at least a B.A. in early childhood education, having an annual turnover of no more than 20 percent, having an annual program evaluation, making funds available for employee benefits and having a plan for staff compensation.

The new Early Childhood Excellence Initiative is designed to serve children from low–income communities. At least 60 percent of the families served by these centers will have incomes at or below 200 percent of the federal poverty level.

STRATEGIC CONSIDERATIONS

- Wisconsin's quality improvement initiatives are an excellent example of how direct and portable aid can work together to support high–quality early care and education programs. The quality improvement grants are direct aid, and all programs are eligible to apply. These grants may be received in addition to revenues the program generates through portable aid (e.g., child care vouchers), parent fees, and other sources. Direct and portable aid are designed to build on one another (combining these revenue sources is not seen as "double dipping"), so that programs have the funds and financial stability they need to offer high–quality services.
- The two grant programs described in this profile do not exist in a vacuum. Wisconsin supports a host of additional quality improvement initiatives, including a strong professional development system, an early childhood practitioner credentialing system, accreditation promotion, mentor teacher training, management assistance, on–site technical assistance, and start–up and expansion grants. The state also provides statewide support for a child care resource and referral system.
- A key reason why Wisconsin has been successful in developing new, innovative approaches to child care financing is that the Wisconsin child care community has provided consistent and committed leadership. The two largest child care resource and referral agencies and the Wisconsin Early Childhood Association have provided stable leadership since the early 1970s. Led by these groups, the Wisconsin Women's Network established a Child Care Task Force in the mid–1970s, and this task force has been able to tap broader constituencies, such as the Wisconsin Nurses Association and the National Organization for Women. Additionally, staff within state government have worked with the early childhood community for years and are skilled and committed policy–makers.

OTHER SITES WITH SIMILAR STRATEGIES

A number of states allocate state and/or federal child care funds to support quality improvement initiatives such as provider training and technical assistance, accreditation support, child care resource and referral services and start–up and expansion funds. Wisconsin is unique, however, in linking quality improvement grants to staff recruitment and retention and making these funds available to child care providers on an ongoing basis.

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QUALITY INCENTIVE BONUSES (VERMONT)

DESCRIPTION

Vermont has established three bonus programs designed to enhance the quality of early care and education services. These include: 1) a 15 percent subsidy bonus to licensed, accredited child care centers and family child care homes and to family child care providers who have attained a Child Development Associate (CDA) credential; 2) a one-time $1,000 bonus to all accredited centers and homes, including those that do not serve subsidized children; and 3) a one-time $1,000 credential bonus for attainment of specified early childhood or child development degrees.

WHEN ESTABLISHED

A 5 percent subsidy bonus was established in 1994, and was increased to 15 percent a few years later. In 1999, the legislature added the $1,000 bonus for all accredited centers as well as the $1,000 credential bonus for practitioners.

ANNUAL AMOUNT

In FY1999, approximately $160,000 was earmarked for the subsidy bonus. An additional $130,000 was allocated by the legislature for the new $1,000 accreditation bonus, and an additional $90,000 was allocated for the credential bonus. These funds were drawn from a combination of state general revenues and the federal Child Care and Development Fund.

SERVICES FUNDED

The subsidy bonus is structured as an additional payment that is made to eligible child care centers and family child care providers that participate in Vermont's child care subsidy program. The bonus is equal to 15 percent of the total subsidy earned by the provider each quarter. Additionally, these programs – as well as child care programs that do not serve subsidized children – are eligible for a one-time bonus of $1,000 when they become accredited. Policies regarding how the new credential bonus will be administered have not yet been developed.

HOW FUNDS DISTRIBUTED

The Child Care Services Division of the Vermont Department of Social and Rehabilitative Services administers all three programs. Subsidy bonus checks are sent to eligible providers each quarter. Accreditation bonus checks are sent when the provider demonstrates that accreditation has been attained.

POPULATION SERVED

All accredited child care centers and homes are eligible for the one-time accreditation bonus. Accreditation must be awarded by the National Association for the Education of Young Children or the National Family Child Care Association. Centers and homes that serve subsidized children are eligible for the subsidy bonus. (Homes may substitute a Child Development Associate credential for accreditation.) The credential bonus will target practitioners who attain a CDA credential or early childhood degree (including a B.A./B.S. or M.A./M.S.), have a professional development plan and are employed in a home- or center-based early childhood program.

STRATEGIC CONSIDERATIONS

- The subsidy bonus had almost no impact at the 5 percent level, but when it was raised to 15 percent, providers began to take notice. While the percentage of accredited centers and homes has increased significantly, the overall numbers are still low. At present, approximately 40 child care centers (out of 500 licensed centers statewide) and 28 family child care homes (out of 1,450 statewide) receive the subsidy bonus.
- Using accreditation and the CDA credential as the quality measures makes it relatively easy and cost-effective to administer the program. Some providers are concerned, however, that the initiative assumes that accreditation and/or a CDA credential are the only measures of quality. They believe that the initiative should be broadened to include other measures of program and provider quality. Vermont is currently exploring other means of doing so.
- The need to improve quality is not limited to programs that serve subsidized children. All families need high-quality care and all child care programs have difficulty generating the funds they need to maintain high-quality standards. The one-time bonus of $1,000 is seen as a nice gesture, but one that does not address the need for an ongoing source of revenue to meet the cost of maintaining a high-quality program. To this end, Vermont is currently looking at model wage and benefit compensation initiatives in other states.
- The effectiveness of subsidy bonuses and "tiered" reimbursement rates is limited when the base reimbursement rate is too low. Vermont recently raised its base rate by 13 percent and hopes to implement another 13 percent increase in 2001.
- In addition to the bonus program, Vermont has other programs to assist providers in attaining standards and degrees. For example, Vermont allows child care centers and homes to apply for mini-grants to help cover the cost of accreditation fees as well as necessary training, supplies and equipment. The Child Care Services Division supports an interactive television Child Development Associate program that allows participants to obtain college credit for course work linked to serving children with special needs.
- Some help in pursuing accreditation is also available from the private sector. The Vermont Association for the Education of Young Children (VAEYC) has obtained a grant from the Child Care Fund of Vermont to assist child care providers with some of the costs related to obtaining accreditation and provides peer assistance in completing the self-study and validation process.

OTHER SITES WITH SIMILAR STRATEGIES

Fifteen other states pay more for higher quality care (Florida, Kentucky, Michigan, Minnesota, Missouri, Nebraska, New Jersey, North Carolina, Ohio, Oklahoma, South Carolina, Utah, West Virginia, Wisconsin, and some counties in Colorado.) However, most of these states do so as a "tiered" reimbursement rate, rather than a subsidy bonus. Several states have compensation initiatives that include bonuses for staff who attain a credential or degree.

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COMMUNITY EMPOWERMENT INITIATIVE (IOWA)

DESCRIPTION

This initiative authorizes Iowa communities to establish community empowerment areas and boards, using school district and county boundaries, to identify the needs of young children (0 to 5) and to plan and administer funding for services. A state empowerment board oversees funding, approves the formation of community empowerment areas, assists with interdepartmental coordination, seeks state and federal waivers, and pools existing federal, state and other public and private funds.

WHEN ESTABLISHED

The initiative was established by the state legislature during the 1998 legislative session.

ANNUAL AMOUNT

In FY1998–99, $9 million was appropriated. In the education reform bill (the School Ready Children Account), $5.2 million was appropriated as a grant incentive for communities to establish the initiative. These funds were targeted to preschool services and parent education provided by public or private agencies. The Department of Human Services made $3.8 million in Temporary Assistance for Needy Families (TANF) funds available to support additional child care services in empowerment areas (the Early Childhood Program Account).

SERVICES FUNDED

Each local initiative taps into the two state funds: the School Ready Children Account, which provides the most flexibility, and the Early Childhood Program Account, which is more restrictive. School Ready funds may be used for a range of comprehensive services, including: child development, children's health and safety, preschool for at-risk children and family support. Funds in the Early Childhood Program Account may be used to enhance child care capacity. Emphasis is placed on care for families that work non-traditional hours as well as on infant care and care for mildly ill children.

A majority of the funds have been spent on early care and education, home visitation and parent support. Many communities have used these funds for preschool scholarships and increased child care subsidies. Mini-grant programs, additional staff training or child development specialists to provide support and consultation to early childhood program staff are common.

Some communities have set aside funds for transportation to and from child care. Others are innovating by assisting staff in developing a transition plan for children prior to enrollment in another program or child care setting, integrating the Parents as Teachers program within child care settings, making "stabilization" funds and business support available to inner city centers (to help fill the gap between cost and price), or establishing a bad debt policy to reimburse child care providers for a limited amount of bad debt. Some local empowerment areas also are tackling systemic issues, such as establishing a single point of entry to coordinate all child care subsidy funds, including those from the United Way.

HOW FUNDS DISTRIBUTED

The initiative has two funding streams with different goals and funding mechanisms. The School Ready Children Account is administered by the Department of Education. These funds are distributed through a competitive grant process, but they will convert to a funding formula in FY2002. The Early Childhood Program Account is administered by the Department of Human Services, and is distributed using a state formula based on the area's welfare reform caseload.

POPULATION SERVED

Currently there are 56 designated community empowerment areas representing 98 of Iowa's 99 counties. Funds may be used for children and families at all income levels.

STRATEGIC CONSIDERATIONS

- Iowa has had a strong, state-administered preschool initiative for many years and was building a network of local resource and referral agencies. Early childhood advocates initially raised concerns that the quality of these programs might be eroded as funds were transferred to the local level as block grants.
  The state has initiated an evaluation project with Iowa State University in response to this concern.
- Providing adequate technical assistance to all communities involved in the empowerment initiative has been a challenge due to the lack of staff-time available to fulfill this function.

OTHER SITES WITH SIMILAR STRATEGIES

Many states have developed initiatives that help communities plan for and administer flexible funds for early childhood services. However, few have used the combination of TANF and state education funds for these initiatives.

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CHILD CARE WAGE$™ PROJECT (NORTH CAROLINA)

DESCRIPTION

The Child Care WAGE$™ Project provides salary supplements to child care teachers, directors and family child care providers serving children through age 5. The salary supplements are available to individuals with earnings less than a specified amount, who have achieved early childhood educational credentials and who have had steady employment at the same child care program for at least six months. The amount of the salary supplement increases as the level of education increases.

WHEN ESTABLISHED

The Child Care WAGE$™ Project, established in 1994, was initially a pilot project in one county with a budget of $100,000. After early success, additional counties joined the project. In 1999, the Child Care WAGE$™ Project went statewide, and all North Carolina counties were invited to participate.

ANNUAL AMOUNT

In FY1999-2000, approximately $4.8 million was spent on WAGE$. Most of the funding is derived from state investment in the Smart Start program, profiled on page 151, with $500,000 in supplemental funding from the federal Child Care and Development Fund.

SERVICES FUNDED

WAGE$ provides a salary supplement to child care staff based on their current level of education. Individuals with higher educational levels receive larger salary supplements. The salary supplement is available to individuals working with children from birth through age 5, in a regulated family child care home or a center for at least 10 hours a week. Two scales have been developed for use in the WAGE$ project. One scale, for family child care providers and center-based teachers or assistant teachers, provides for annual salary supplements ranging from $200 to $3,000 annually. A second scale is geared to center directors, with salary supplements ranging from $300 to $2,250 annually. Individuals who have received credentials or degrees, as well as those who have passed certain benchmarks toward their early childhood degrees, are eligible for the salary supplement. Individuals working less than 40 hours per week receive a pro-rated salary supplement.

Eligible applicants must demonstrate that their current wages fall below the maximums set for the WAGE$ project. These caps are indexed proportionately with the salaries of public school teachers. For 2000, family child care providers and child care teachers/assistant teachers must earn less than $14.14 per hour and directors must earn less than $14.72 per hour to be eligible for supplements. All applicants must be employed at the time they apply and must complete six months with the same child care program to receive salary supplements. An individual who moves to another provider in less than six months must start the commitment period over again at the new site.

WAGE$ participants are encouraged to obtain additional educational credentials so that they can receive increased salary supplements. Participants are referred to the T.E.A.C.H. Early Childhood® project for this purpose. T.E.A.C.H. is profiled on page 153.

HOW FUNDS DISTRIBUTED

Salary supplements are distributed to the individual WAGE$ participants through a nonprofit statewide organization, Child Care Services Association (CCSA), every six months. Individual teachers, assistant teachers, family child care providers and directors complete an application, and provide documentation verifying current employment, wages and educational credentials.
Once the WAGE$ participant (and the employer) has successfully completed the application and the participant has remained continuously employed at the same child care program for six months, the employee receives a salary supplement from CCSA. The salary supplement is reported as income to the relevant government agencies, and the individual pays applicable taxes.

POPULATION SERVED

WAGE$ is available to teachers, assistant teachers, family child care providers, assistant directors and child care center directors who meet minimum educational qualifications and who work at least 10 hours weekly with preschool children at one site for six months. At present, 56 of 100 counties in North Carolina have individuals enrolled in WAGE$, and more than 4,750 child care professionals in the counties were expected to participate during FY1999-2000.

STRATEGIC CONSIDERATIONS

- By providing a salary enhancement to individuals based on current levels of educational attainment, the Child Care WAGE$ Project helps address the problem of staff turnover and complements the T.E.A.C.H. Early Childhood® project, which helps individuals to advance their educational qualifications. While the primary focus of WAGE$ is to reduce turnover, the graduated salary supplement also helps create a career ladder for participants. Evidence indicates that the primary goal, reducing turnover, is being met. A survey of three counties during FY1998-1999 showed significant reductions in staff turnover. In Orange County, turnover fell from a pre-program rate of 36 percent to 8 percent; in Davidson County, turnover dropped from 44 percent to 11 percent; and in Nash/Edgecombe Counties, from 32 percent to 12 percent.

- The project designers initially planned to make the salary supplement available on a monthly basis. However, CCSA decided to trim administrative costs by making one lump-sum payment every six months. WAGE$ participants have responded well to the lump-sum payment and report that this approach is helpful in saving money to buy a car or invest in a house.
- One advantage of the WAGE$ Project is that it does not affect the budget of the child care programs, nor does it require parents to contribute more. WAGE$ was structured so it would not interfere with marketplace competition for better salaries.
- There is wide variation in the salary supplements provided in each county. Some counties have a large percentage of teachers with higher degrees, and other counties have very small percentages. To date, no analysis has been conducted to better understand these patterns.
- WAGE$ is linked with Smart Start, which is a large-scale early childhood initiative in North Carolina, profiled on page 151. When the governor saw the impact of WAGE$ on staff turnover, and realized that large number of the participants were taking advantage of T.E.A.C.H. to advance their education still further, his administration worked with Child Care Services Association to develop an incentive for local Smart Start coalitions to direct investment into WAGE$. This has resulted in the number of counties participating in WAGE$ growing from 18 to 56 in six months.

OTHER SITES WITH SIMILAR STRATEGIES

King County, Washington, has approved an ordinance to augment child care employee wages in the City of Seattle, and is considered likely to allocate $300,000 for this purpose.

Illinois recently enacted a wage supplementation bill called "Great Start" and allocated $3 million of its federal Child Care and Development Fund for the initiative. For information, contact Elissa Bassler at the Day Care Action Council (773) 769-8020 or elissa@daycareaction.org.

Salary enhancement legislation passed in New York in 2000 and was funded at $40 million. For more information, contact Agnes Zellin at the New York State Child Care Coordinating Council at (518) 463 8663 or e-mail: agnes@nyscccc.org.

San Francisco recently established the San Francisco CARES initiative. (See the profile on page107.)

Nassau County, New York, has operated a salary enhancement grants program for approximately 19 years.

Washington State sponsors the Child Care Career and Wage Ladder. (See the profile on page 68.)

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CHILD CARE CAREER AND WAGE LADDER (WASHINGTON)

DESCRIPTION

The Washington State Child Care Career and Wage Ladder is a pilot project to support wage increments (based on education and experience) for early childhood teachers in100 child care centers across Washington State. Participating centers are required to comply with quality guidelines and to finance wage increases based on longevity and increased responsibilities.

WHEN ESTABLISHED

In July 1999, Governor Gary Locke (D) allocated $4 million for the initiative for fiscal years 2000 and 2001. In April 2000, child care centers were selected to participate in the demonstration project.

ANNUAL AMOUNT

A total of $4 million of Temporary Assistance for Needy Families (TANF) reinvestment funds was allocated for the two-year demonstration project. Estimated costs for a statewide initiative are $15 million a year.

SERVICES FUNDED

The initiative will fund wage increments for staff in early childhood programs, including assistants, associate and lead teachers and program supervisors, based on relevant education. Centers will be required to use these funds to increase staff wages by 50 cents an hour for various types of educational attainment, starting with a high school degree and moving up through a Child Development Associate Credential, Early Childhood Education Certification, and A.A., B.A., and M.A. degrees in child development. In addition, participating centers are required to use their own revenues to raise wages 25 cents an hour, based on experience. State funds will assist with these wages increases, based upon the percentage of subsidized, low-income children being served by the facility.

HOW FUNDS DISTRIBUTED

State funds are awarded to selected child care centers, both nonprofit and proprietary, based on a Request for Proposals (RFP).

POPULATION SERVED

The initiative targets staff in participating licensed or certified centers. The centers are required to:

- Adopt the career-development wage scale;
- Fill 10 percent of their slots with children that receive child care subsidies from the state; and
- Contribute $25 a month toward any health care premium paid by employees.

STRATEGIC CONSIDERATIONS

- The Economic Opportunity Institute (EOI), a nonprofit public policy institute, did the initial policy development for the project and educated the relevant officials. The proposal received strong support from Governor Locke and House Speaker Frank Chopp (D).
- Governor Locke charged the Department of Social and Health Services, Office of Child Care Policy (OCCP), with developing and implementing the initiative based on preliminary work done by EOI.
- Provider stakeholder groups were established across the state. These groups helped to review and revise the initiative to ensure that it was feasible from a provider perspective. To ensure participation by a diverse group of child care centers, OCCP attempted to make the wage ladder as flexible as possible while maintaining the intent of the initiative.
- Prior to developing this initiative, child care workers organized into a union and established an independent voice. This was a key factor in securing state funds targeted to wages. EOI worked closely with the Child Care Union Project (sponsored by District 925 of the Service Employees and Seattle Worthy Wages).
- The Seattle City Council approved additional funding for T.E.A.C.H. The council determined that expanding T.E.A.C.H. would help more staff to "climb the wage ladder" and therefore be eligible for higher wages.
- Compensation approaches to date have focused on two models: awarding compensation supplements 1) to programs or 2) to staff directly. These approaches have strengths and weakness. Deciding which model to adopt will depend on a variety of factors, including attitudes about accountability, organized labor, perspectives of for-profit and nonprofit programs and status of career-development efforts.

OTHER SITES WITH SIMILAR STRATEGIES

King County, Washington, has approved an ordinance to augment child care employee wages in the City of Seattle, and is considered likely to allocate $300,000 for this purpose.

Illinois recently enacted a wage supplementation bill called "Great Start" and allocated $3 million of its federal Child Care and Development Fund for the initiative. For information, contact Elissa Bassler at the Day Care Action Council (773) 769 8020 or elissa@daycareaction.org.

Salary enhancement legislation passed in New York in 2000 and was funded at $40 million. For more information, contact Agnes Zellin at the New York State Child Care Coordinating Council at (513) 463 8663 or e-mail: agnes@nyscccc.org.

North Carolina sponsors the WAGE$ initiative. (See the profile on page 66.)

San Francisco recently established the San Francisco CARES initiative. (See the profile on page 107.)

Nassau County, New York, has operated a salary enhancement grants program for approximately 19 years.

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T.E.A.C.H EARLY CHILDHOOD® HEALTH INSURANCE PROGRAM (NORTH CAROLINA)

DESCRIPTION

The T.E.A.C.H. Early Childhood® Health Insurance Program helps fund the cost of health insurance for employees of child care programs that have made a commitment to supporting the education and compensation of their staff. Eligible child care programs may have up to one-third of the cost of individual health insurance coverage reimbursed through a special fund.

WHEN ESTABLISHED

The program took effect in April 1999.

ANNUAL AMOUNT

Funding for the T.E.A.C.H. Early Childhood® Health Insurance Program is currently provided by the Division of Child Development, using the federal Child Care and Development Fund. In FY1999, $1.4 million was budgeted for the program.

SERVICES FUNDED

State funds support up to one-third of the cost of individual (not family) health insurance coverage for staff in eligible child care programs. Participating programs must agree to cover at least one-third of the cost of the health insurance, and employees may be charged the remaining third. Participating programs may elect to cover both the employer and employee costs of insurance. Child care providers may choose their own health insurance carrier. Blue Cross/Blue Shield makes some health insurance available to programs that have not found an insurance carrier that meets their needs.

HOW FUNDS DISTRIBUTED

Eligible child care programs apply to Child Care Services Association, a nonprofit entity that administers the program. Each month, the participating child care program submits a claim for reimbursement. The program must verify that each staff member with dependent children has those children covered by health insurance or has applied for coverage through Health Choice, the state's insurance program for children living in families with low or moderate incomes.

POPULATION SERVED

Child care centers and homes that have staff who participate in the T.E.A.C.H. Early Childhood® associate or bachelor degree scholarship programs and those in which all teaching and administrative staff have already earned these degrees are eligible to participate in the program. To be eligible, a program with 3–99 children must have at least one teacher or director who participates in the

T.E.A.C.H. scholarship program and is working toward an associate's or bachelor's degree in early childhood education or child development. A program with 100–179 children must have at least two participating teachers or directors. A program with more than 180 children must have at least three teachers or directors on scholarship. Additionally, programs must: 1) provide information about their program's wages, benefits and turnover at the beginning and end of the first year of the program, 2) provide information about staff access to health insurance coverage and 3) agree to complete an annual evaluation survey about the program

STRATEGIC CONSIDERATIONS

- The provision of funds to help pay the costs of health insurance was strategically linked to efforts to improve the education and retention of the child care work force. Because of limited funding, dollars were specifically earmarked as part of an incentive structure to encourage child care programs to support the continuing professional development of their staff.
- A second strategic decision was made to require staff with dependent children to show proof of health insurance coverage for those children or apply to Health Choice (North Carolina's health insurance program for children). By recognizing that child care teachers are often low–income women with children, this effort has the secondary benefit of facilitating access to health insurance for the children of child care workers.
- To maintain its status as a nonprofit entity, Blue Cross/ Blue Shield must demonstrate that it makes insurance available to low–income families. In some states, this obligation may provide an opportunity to facilities to access health insurance for child care providers.

OTHER SITES WITH SIMILAR STRATEGIES

Rhode Island provides subsidized health insurance for some child care programs, and is profiled on page 76.

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CONNECTICUT SCHOOL READINESS INITIATIVE (CONNECTICUT)

DESCRIPTION

The Connecticut School Readiness Initiative provides children from low–income families with access to high–quality early learning experiences by combining the strengths and resources of the public and private child care and school systems. Funds are made available to School Readiness Councils in communities with large numbers of low–income children. The councils assess community needs, identify gaps, and allocate funds. The councils are required to ensure that full–day early childhood care and education services are available year–round. Additionally, funds are made available on a statewide basis to help build or renovate child care facilities and train new early childhood teachers.

WHEN ESTABLISHED

The school readiness legislation passed in June 1997.

ANNUAL AMOUNT

Funds for this initiative come from several sources, including the State Department of Education, the Department of Social Services (including federal Child Care and Development funds and transfers from the Temporary Assistance for Needy Families fund) and through tax–exempt bond financing. (See page 72 for a more detailed description of Connecticut's capital financing strategy.) Yearly allocations are detailed below:

In FY1997–98, $32.6 million was allocated for the entire initiative. Approximately $18.7 million was used for school readiness slot expansion, and $8.7 was used to expand capacity of state–contracted child care centers for children from birth to age 8. The remaining funds supported: quality enhancement grants ($2 million); early childhood program accreditation ($600,000); training, education and career development ($2.26 million); provider criminal background checks ($100,000), and program evaluation ($100,000).

In FY1998–9, $54.8 million was allocated for the entire initiative. Funding for school readiness slot expansion was increased to $37.3 million; funding for the statewide components was not increased. Additionally, debt service for Connecticut Health and Educational Facilities Authority (CHEFA) tax–exempt bond financing was increased to $2.5 million.

In FY1999–2000 $60 million was allocated for the entire initiative. Funding for school readiness slot expansion was increased to $39 million, $960,000 in funding was provided for a new child care training academy, and the regional accreditation project received an increase in funding to $715,000.

SERVICES FUNDED

The initiative has three core components:

- Funds are made available to expand and improve the quality of early care and education for 3- and 4-year-old children in targeted communities. This includes slot expansion, quality improvement grants and a statewide accreditation facilitation project.
- The second component relates to building or renovating space to house preschool programs. This includes a strategy for capital financing (with revenue bonds), loan guarantees and short-term direct loans.
- The third aspect of the initiative concerns teacher availability and quality. Funds are made available to ensure that there will be a sufficient number of teachers with early childhood expertise. This includes funding for training and education as well as support for an early childhood career development system.

HOW FUNDS DISTRIBUTED

Funds for slot expansion and quality improvement grants are allocated to local School Readiness Councils, based on a school district formula. Each council is allocated funds to increase the number of 3- and 4-year-old children served in early care and education programs and to improve the quality of those services. Councils must submit their plan for expending these state funds to the state commissioners of education and social services for approval. Capital funds are administered by the CHEFA. The statewide accreditation facilitation project, some of the training funds and the career development system are administered by Connecticut-Charts-A-Course, the state's early care and education career development center. Training funds also are administered by the Early Childhood Training and Resource Academy.

POPULATION SERVED

The initiative targets low-income 3- and 4-year-old children who reside in priority school districts in 16 cities and severe-needs schools in 33 towns.

STRATEGIC CONSIDERATIONS

- Improving the quality of early care and education services requires a multifaceted approach. The Connecticut School Readiness Initiative includes several components that are designed to work together to improve the system. These include: increased operating assistance to programs, funds to help build new facilities, support for a statewide early childhood career development system, support for a statewide accreditation facilitation project and funds for planning, mentoring and innovative quality improvement.
- Operating funds must follow capital funds. Local School Readiness Councils that seek capital funding are required to make a corresponding commitment to purchase 70 to 80 percent of the slots in that program. This ensures that capital funds are targeted to facilities that are most likely to serve eligible children and most likely to provide high-quality, financially stable services.
- Sufficient time must be allowed for start-up. There was a dramatic increase in slot funding in the first two years. However, program administrators learned that it takes time to actually spend these increased funds. Expenditures did not reach projected levels until programs were up and running for a full year of service.
- Building mentors is an effective technical assistance tool. The Hartford School Readiness Council used some of its quality-enhancement funding for an initiative that provides small grants to successful school readiness programs to serve as "buddies" to programs just entering the system.
- Connecticut's decision to target "severe-needs schools" (which are located in school districts with a socioeconomic mix) allowed the effort to reach a broader constituency. This allows the initiative to reach a broader group of children, so that it is not viewed strictly as a poverty program.

OTHER SITES WITH SIMILAR STRATEGIES

Thirty nine other states have prekindergarten programs, but few are as multifaceted as Connecticut's initiative.

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CHILD CARE FACILITIES LOAN FUND (CONNECTICUT)

DESCRIPTION

Connecticut makes long-term, low-interest loans for the construction or renovation of child care centers available as tax-exempt bond funding from the Connecticut Health and Educational Facilities Authority (CHEFA). The state, through the Department of Social Services, pays up to 85 percent of the debt service on the bonds on behalf of eligible nonprofit child care providers.

WHEN ESTABLISHED

The loan fund was established in April 1998.

ANNUAL AMOUNT

In the first two pooled bond issues, this initiative leveraged more than $29.2 million to finance projects for 12 child care providers, supporting a total of 19 child care facilities. The third pooled bond issue, estimated at $17.8 million, might fund as many as 10 child care facilities. The state spends $2.5 million of its general revenues each year to support debt service on the pooled tax-exempt bond issues. The average debt service support per bond issue is 80 percent.

SERVICES FUNDED

The loan fund supports construction of or renovation of not-for-profit child care facilities. Loans typically are in excess of $500,000 and may amortize up to 30 years. For-profit entities or programs that need smaller amounts are directed to the guaranteed loan or small direct loan funds described below.

HOW FUNDS DISTRIBUTED

Bonds are issued on an as-needed basis. CHEFA's Board of Directors approves financing for each project, based on an agreement that the state Department of Social Services (DSS) will pay a portion of the debt service.

POPULATION SERVED

Eligible providers include child care and child development centers, family resource centers and Head Start programs that include Department of Social Services-eligible children (i.e. children with family incomes at or below 75 percent of the state median income.) Priority is given to child care providers that: 1) have obtained accreditation from the National Association for the Education of Young Children or have an application pending for such accreditation, 2) are included in the local school readiness plan (described in the profile on the previous page), 3) promote collaborative programs to improve access and quality of care, and 4) are located in under-served areas.

STRATEGIC CONSIDERATIONS

- Instead of doing small-gap financing or modest bridge funding, more common facility financing strategies, this initiative allows Connecticut to complete the financing of multiple expansion projects and build a large number of new facilities. The key component of the Connecticut strategy is the alliance between CHEFA, which issues the bonds and administers the loans, and DSS, which underwrites a portion of the annual debt service.
- To address the need for shorter-term, lower-cost financing, two other child care financing strategies were developed to work in tandem with the pooled tax-exempt bond initiative:
    1 A guaranteed loan program for both nonprofit and for-profit child care providers who need loans between $25,000 and $1 million. These loans amortize for 1-15 years. The loans are administered by People's Bank. CHEFA provides a 20-50 percent guarantee on the loan and will subsidize up to 3 percent of the interest cost on the debt.
    2 A small direct loan program is intended to serve family child care homes and to provide pre-development loans for child care centers. These loans are limited to $25,000 and amortize for up to six years. The New Haven Community Investment Corporation (NHCIC) administers this program. CHEFA will provide an 80 percent guarantee on all qualifying loans.
- The Connecticut strategy does not include a technical-assistance component. CHEFA staff have learned, however, that many of the small, nonprofit providers that serve low-income neighborhoods have little or no knowledge of the real estate development process and lack the internal management staff capacity to undertake a major development effort on their own. As a result, the state is exploring the technical-assistance needs of potential applicants.
- Individuals involved in administering the program also point out that the initiative could benefit from a pool of start-up or pre-construction funding to help child care providers before they close on CHEFA financing. These funds are needed to secure a site or hire development professionals such as architects or engineers to help put the project together in the earliest and riskiest stages of development.

OTHER SITES WITH SIMILAR STRATEGIES

The State of Illinois pioneered the use of revenue bonds to finance child care facilities. (See profile on page 162). Illinois, however, did a single bond issuance as a demonstration for seven centers that were all built at once. The Connecticut strategy uses a series of bond pools over a longer period of time and includes many more projects. The Illinois loans amortized at 10 years; the Connecticut loans amortize for up to 30 years, making it more feasible for nonprofit child care centers to support a portion of the debt.

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CHILD CARE FINANCIAL ASSISTANCE PROGRAM (FLORIDA)

DESCRIPTION

Florida's Child Care Financial Assistance Program makes funds available as grants and loans to help child care providers start their businesses, to assist providers in achieving accreditation and to improve the overall quality of child care. The loan program included a unique provision that allowed child care programs that complied with specified quality standards to apply for a rebate of up to 100 percent of the loan principal.

WHEN ESTABLISHED

The program was established in 1997.

ANNUAL AMOUNT

In FY1998, $400,000 was allocated for the loan program and $400,000 was allocated for mini-grants. In FY1999, $500,000 was allocated for the loan program and $500,000 was allocated for mini-grants. In FY2000 no additional funds were allocated for the loan program and $500,000 was allocated for mini-grants. In FY2000/01 $1 million (all of the funds) will be made available for mini-grants. All of these funds are drawn from federal Child Care and Development Funds and transfers from the Temporary Assistance for Needy Families fund.

SERVICES FUNDED

Grants and loans to child care providers are funded. Grants of up to $2,500 are available to help licensed child care centers or homes complete the licensure or accreditation process or make other quality improvements. (Until 1999, grants were capped at $500.) Grants of up to $250 are available to help unregulated family child care providers become registered or to help a registered provider make quality improvements.

From 1997 to 1999, loans of up to $10,000 were available at 2 percent interest (for a 24- to 36-month term). Providers who received loans were eligible for rebates, based on the following terms:

- Providers who remained in business for 24 months (and note is paid) received a rebate of 50 percent of the loan principal;
- Providers who were licensed for at least one year preceding the total loan repayment and remained in business for 24 months received a rebate of 75 percent of the loan principal;
- Providers who became accredited within six months of loan repayment and remained in business for 24 months received a rebate of 100 percent of the loan principal.

HOW FUNDS DISTRIBUTED

The program is jointly administered by the Florida Children's Forum (the statewide resource and referral program), local child care resource and referral agencies and the Bank of America. The Florida Children's Forum administers the grant funds, based on input from local child care and resource and referral agencies.

Under the loan program (which operated from 1997 to 1999) local resource and referral staff assisted child care providers in completing the application forms and completing a detailed, on-site assessment. Additionally, resource and referral staff coordinated any necessary training and technical assistance. The Forum processed the credit applications and provided statewide technical assistance and oversight. Bank of America cut the checks, received and processed payments, mailed monthly invoices to the borrower and provided a monthly balance statement to the Forum detailing each resource and referral agency's account activity.

POPULATION SERVED

Priority is given to providers in low-income areas with a high need for child care and a concentration of families receiving welfare. Priority also is given to providers that care for infants and toddlers and/or offer care during non-traditional hours. Participating providers must agree to: allow an on-site visit by resource and referral staff to determine need, complete relevant training courses (i.e. child care skills, business management) and accept children who receive public subsidies when vacancies occur.

STRATEGIC CONSIDERATIONS

- For a variety of reasons, the loan program proved to be difficult to administer. Administrative funds were extremely limited, making it difficult to secure the skilled and dedicated staff necessary to administer the loans. Additionally, staff in the 26 different resource and referral agencies that were responsible for administering the program were not comfortable with the role of banker. Many felt that managing arrearages and/or defaults compromised their role of providing support and technical assistance to child care providers. Others were burdened by the paperwork and tracking.
- Because of difficulties in administering the loan program, all funds were allocated to grants in FY2001, and the grant ceiling was raised to $2,500. The Forum also developed clearer guidelines for distribution of grants and required each resource and referral agency to have an advisory council to help select grant recipients.
- A Business Mentoring Project was initiated about a year after the Financial Assistance Program was started. This effort was designed to bring local businesses and child care providers together, identifying areas of expertise and need, and then matching them appropriately. Mentors worked with child care businesses on issues such as budgets and business plans, cost benefit analysis, marketing alternatives, capital procurement and tax assistance.
- The loan and grant programs were part of a larger initiative, called Caring for Kids, that was designed to provide a variety of resources and supports aimed at improving the quality and supply of child care in the State of Florida.

OTHER SITES WITH SIMILAR STRATEGIES

Many states have loan and grant programs for quality improvement, but Florida is the only state that established a loan rebate for providers that successfully complete quality improvements.

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HEALTH

EARLY CHILDHOOD EDUCATION LINKAGE SYSTEM (ECELS) (PENNSYLVANIA)

DESCRIPTION

The Early Childhood Education Linkage System (ECELS) provides health and safety advice to child care providers by training, linking and supporting health professionals (known as health consultants) who volunteer to work with child care programs. ECELS' goal is to improve and enhance the health care, safety and development of Pennsylvania children who are enrolled in child care.

WHEN ESTABLISHED

ECELS began in December 1989 as a partnership between state and federal agencies and the Pennsylvania Chapter of the American Academy of Pediatrics (PA-AAP). Start-up funding was provided to the PA-AAP by a three-year grant from the Maternal and Child Health Bureau of the federal Public Health Service and a grant from the Robert Wood Johnson Foundation. Funding from the Pennsylvania Departments of Health and Public Welfare, along with grants and contributions, have allowed the initiative to continue and grow.

ANNUAL AMOUNT

The core funding for FY1999-2000 was $700,000, and came from the Pennsylvania Department of Health and the Pennsylvania Department of Public Welfare. Extensive in-kind contributions to the initiative have come through the large number of health professionals who volunteer their time.

SERVICES FUNDED

ECELS provides professional health consultation services to child care programs, maintains a telephone help line and trains health professionals to work with child care programs. ECELS organizes health and safety training for child care providers and for state staff, maintains a free lending library of audiovisual materials and distributes a quarterly newsletter.

In addition, ECELS manages a database that tracks the health records of children who are enrolled in child care on behalf of the Department of Public Welfare (DPW). This allows ECELS to analyze the degree to which child care programs are complying with DPW regulations about child health records, and it enables ECELS to target interventions based on this analysis.

HOW FUNDS DISTRIBUTED

ECELS does not distribute funds.

POPULATION SERVED

Any child in a child care setting may be served.

STRATEGIC CONSIDERATIONS

- The Pennsylvania Chapter of the American Academy of Pediatrics, a well-respected medical association, supports, endorses and administers the initiative.
- State administrators in two departments cooperate to fund the initiative, and are willing to allow the PA-AAP to combine state funds with other sources of funding.
- A large number of health professionals participate in the initiative and are willing to volunteer their time.
- The services being offered respond specifically to needs that have been expressed by child care providers themselves or have been established through other means.

OTHER SITES WITH SIMILAR STRATEGIES

ECELS was a prototype for the Healthy Child Care America campaign launched by the federal Administration for Children and Families and the Maternal and Child Health Bureau in 1995 and supported since 1996 with federal grants in every state.

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HEALTH INSURANCE FOR CHILD CARE PROVIDERS (RHODE ISLAND)

DESCRIPTION

Rhode Island makes fully paid health care coverage available to certain center– and home–based child care providers and their children. The coverage is provided through RIte Care, the state's publicly funded health insurance program for the uninsured.

WHEN ESTABLISHED

Health care coverage for family child care providers became effective in January 1997. Coverage was extended to child care center staff in January 1999.

ANNUAL AMOUNT

For FY2000, the state estimated a total expenditure of $900,000 in state general revenues for the child care health insurance program. Some additional federal funds were allocated to match a portion of the state expenditure.

SERVICES FUNDED

Health care coverage is provided to qualified child care providers.

HOW FUNDS DISTRIBUTED

The program is administered by two divisions of the Rhode Island Department of Human Services (DHS), the Division of Individual and Family Support (the child care lead agency) and the Center for Child and Family Health (the Medicaid agency).

Family child care providers enroll directly in the state's RIte Care health insurance program. Qualifying child care centers receive 50 percent reimbursement for health care coverage costs in private plans, up to a per person limit.

POPULATION SERVED

Eligible family child care providers must be certified by the state's child care licensing agency and must receive at least $1,800 in reimbursement in a six–month period for caring for a child receiving a state subsidy.

Eligible child care centers must be licensed and more than 40 percent of the children in their care must receive a state subsidy. (Within three years the percentage of subsidized children will be reduced to 30 percent.) Eligible child care centers may purchase RIte Care for their employees at 50 percent of the cost.

STRATEGIC CONSIDERATIONS

- This initiative was originally proposed by a group of family child care providers who had difficulty finding affordable health insurance. Strong grass–roots support, organized by Direct Action for Rights and Equality (DARE), coupled with leadership from Governor Lincoln C. Almond (R) and Department of Human Resources Commissioner Christine Ferguson, was instrumental in passage of the legislation.

OTHER SITES WITH SIMILAR STRATEGIES

North Carolina has established the T.E.A.C.H. Early Childhood® Health Insurance Program. (See profile on page 69) In addition, some states have expanded coverage under Medicaid to income levels that could include child care providers. For more information on this approach, contact Jocelyn Guyer, Center for Budget and Policy Priorities, (202) 408 1080.

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PLUSTIME NEW HAMPSHIRE (NEW HAMPSHIRE)

DESCRIPTION

PlusTime New Hampshire is a private nonprofit agency that helps communities throughout the state to start programs and to improve existing programs for school age children and youth.

WHEN ESTABLISHED

PlusTime New Hampshire was established in 1990.

ANNUAL AMOUNT

In FY1998–99, PlusTime's annual budget was $300,000. Most of these funds came from a state health care transition grant (state general funds), a grant from the Bureau of Substance Abuse Services and from the Child Care and Development Fund.

A variety of other groups provided funding and in-kind support. Two significant contributions include Providian Financial Bank's four-year pledge to PlusTime, for a total of $250,000, and new investments from the Corporation for National Service and from Americorps, which are likely to result in an annual budget of more than $1 million for FY2000–01.

SERVICES FUNDED

Mini-grants support new and expanding programs. The Child Care and Development Fund (CCDF) is used to provide services for children ages 12 and under, while the Providian funding allows mini-grants to also be offered to programs that serve older school-age children. Technical assistance is available, including help in forming local coalitions, conducting needs assessment and writing grant proposals. Quality Initiatives provide staff training. Other efforts focus on advocacy and legislative work, including proposals to develop staff credentialing and to make health insurance available for child care and after-school program staff. Social marketing is another emphasis, which uses various methods of public education designed to raise community awareness that the welfare of school-age children and youth is everyone's responsibility, not simply a parental one.

HOW FUNDS DISTRIBUTED

Through a mini-grant program, PlusTime issues Requests for Proposal (RFPs) twice a year, once in the summer and once in the spring. The summer RFP focuses on creating new spaces in the fall, while the spring RFP focuses on summer programming. The awards range from $500 to $5,000, and a match is not required. To date, it has been possible to respond to all the communities that have requested the kinds of technical assistance that PlusTime provides.

POPULATION SERVED

PlusTime serves school-age children and youth, their parents and communities.

STRATEGIC CONSIDERATIONS:

- PlusTime emphasizes the community development process in its work and stresses the importance of community ownership. PlusTime sees itself as a facilitator, and a means by which communities can receive information they need to develop their services and identify their priorities.
- Many government officials in New Hampshire have been allies of the program.
- PlusTime has been entrepreneurial in drawing down health funding to support its mission. The original Health Department RFP for funding listed prevention activities for school-age children and youth as a priority, and PlusTime was ideally suited to compete for the funds. A second health grant has been received, and those funds were used to connect health care resources, including Healthy Kids New Hampshire (the state CHIP program) and Why Not New Hampshire (tobacco-free youth), with school-age programming. Further evidence now exists that the use of health funding has been a successful strategy. The Governor's Office released the Request for Proposals for the FY2000–01 Health Care Transition Grant, and a total of $1 million will be distributed in three priority areas, one of which is after-school care. This will result in increased funding for school-age care in many communities.
- Some school-age programs are financially fragile. There have been occasional instances in which PlusTime has funded programs that were later forced to close for economic reasons. The economy is so strong that it is hard to offer a salary that is competitive enough to attract and retain qualified staff.
- There are some special problems in rural areas, including transportation. PlusTime was involved in the process of changing state law regarding school bus transit. Originally, school buses were permitted to provide transportation only between home and school. This has been modified so that after-school programs are an acceptable drop-off point on school bus routes.

OTHER SITES WITH SIMILAR STRATEGIES

No other examples of programs that use health funding to support after-school programming are known.

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START ME RIGHT (MAINE)

DESCRIPTION

Start ME Right provides support for children in their homes and child care programs, and provides opportunities for Maine businesses and individuals to invest in child care. As a multipronged approach to support for children and families, Start ME Right includes a broad spectrum of initiatives, with financial support provided from the state's tobacco settlement.

WHEN ESTABLISHED

Start ME Right passed the Maine legislature in 1999 for implementation beginning in state's FY1999–2000.

ANNUAL AMOUNT

Start ME Right is financed through Maine's share of the tobacco settlement. For Maine's FY2000 year, a total of $1.575 million was appropriated for one-time-only facilities and quality improvements, including $150,000 for a revolving loan fund. For FY2001, a total of $11.82 million was appropriated: $8.91 million for child care improvement and expansion and $2.91 million for home visiting. The $8.91 million for child care improvement and expansion allocations included $300,000 for wage increases and quality improvements, including add-on rates for accredited programs; $3.06 million to expand access to child care subsidies; $1.44 million to stimulate additional care at "odd hours" and to serve special populations; $393,000 for licensing and inspections of child care; $394,000 for resource and referral services; and $1.5 million for full-day full-year Head Start; $575,000 to fund pilot programs for 12- to 15-year-olds and $150,000 for a Quality Child Care Education Scholarship Fund. Additional legislation is pending to increase funding for FY2001 and beyond.

SERVICES FUNDED

To address child care needs in Maine, Start ME Right includes funding and programs to improve child care quality and affordability and to increase capacity. These are described below. Start ME Right also includes a home-visiting component, which provides information about parenting as well as supportive services for children and families. The goal of this aspect of Start ME Right is to provide home-visiting services to all first-time parents in Maine on a voluntary basis, with varying levels of service, depending on the family's needs. Communities may choose from a list of approved home-visiting models, and the bidding process is then carried out at the local level.

The child care quality initiatives are multifaceted, using both grant and tax strategies to increase the supply of quality child care.

- Professional development of child care teachers is addressed through the creation of a Tuition Assistance Program for child care providers, enabling them to earn a Child Development Associate (CDA) credential or an A.A., B.S. or B.A. degree. The Tuition Assistance Program allows up to $500 per person, each semester, for a total of four courses annually.
- Oversight and monitoring resources are increased through the addition of new child care licensing staff.
- Information about quality child care is enhanced through additional resource and referral services.
- Parents who select an accredited child care provider can take advantage of new provisions in Maine's tax plan which permit a doubled, refundable credit. Likewise, an employer that provides child care assistance to an employee is eligible to receive a doubled tax credit if the employee uses accredited child care. If a corporation provides a charitable child care contribution that is designed to improve child care quality, the business receives a 30 percent credit up to $30,000 annually.
- One-time-only system-wide grants for health, safety, facilities and training were provided in FY2000, with a maximum grant award of $5,000 for a family child care home and $20,000 for a center.

The affordability of child care is addressed though dedication of new funds for Maine's existing child care subsidy program, which allows parents to purchase child care for children through age 12.

Child care capacity is addressed through several new initiatives in Start ME Right.

- Expansion of Head Start programs to full-day was included, as well as a new effort to provide non-school hour programs to younger teenagers, ages 12 to 15.
- A competitive grants program has been established to stimulate additional child care in geographically underserved areas and during non-traditional hours. Should additional funds become available, the grants program would be expanded to stimulate child care capacity for at-risk children and those with special needs.
- A revolving loan fund for child care providers has been established.
- A new investment tax credit for child care has been created through which businesses can invest in quality child care programs (defined as accredited) to receive a doubled tax credit.

HOW FUND DISTRIBUTED

Three state agencies—the Department of Human Services (DHS), the Finance Authority of Maine (FAME) and the Department of Revenue (DR)—are involved in the administration of funds allocated as a result of Start ME Right and coordinate the various program initiatives. DHS administers all aspects of Start ME Right except for the revolving loan fund for child care providers, the Tuition Assistance Program and the various tax-based programs. These programs are administered by FAME or the Department of Revenue. For any program involving the stimulation of improved quality in child care, DHS certifies to the other agencies that the basic criteria have been met before they may distribute funds.

POPULATION SERVED

Start ME Right expands child care and home visiting services, which benefit parents and children, as well as child care programs and the community as a whole.

STRATEGIC CONSIDERATIONS

- In the early fall of 1998 the Maine Children's Alliance convened a group of legislators, interested groups and individuals with plans for legislation so that they could develop a comprehensive legislative agenda. After meeting several times, the group grew and the leadership expanded. What emerged was a three-pronged legislative approach known as Start ME Right.
- Start ME Right's Supporting Parents and Families legislation was introduced by Senator Tina Baker (D) in collaboration with the Task Force on Early Care and Education to assure the availability of an early childhood home-visiting component. The Providing Quality Child Care legislation was introduced by Speaker Steven Rowe (D) in collaboration with the Alliance for Children's Care, Education and Supportive Services (ACCESS) to improve quality, increase subsidies, extend care to 12- to 15-year-olds, increase child care capacity and extend Head Start capability to full-day, full-year programming. The Encouraging Business and Communities to Help legislation was introduced by Senator Susan Longley (D), in collaboration with business and community leaders, to strengthen child care infrastructure through tax incentives, revolving loans and a scholarship fund.
- Coalition participants indicate that the creation of a Code of Ethics for the Start ME Right coalition proved invaluable during the legislative negotiations in support of Start ME Right. Coalition members, including the legislators who sponsored the bills that made up Start ME Right, agreed that it would be important to work together and not permit any one objective, or legislative bill, to be separated from the rest. This strategy proved successful, and participants were able to honor the agreement.
- Initially the Start ME Coalition sought to focus its support on access and quality in child care and home visiting, reflecting the long-term interests and preparatory work in these area done by several of its key members. One of the participating legislators, Senator Susan Longley had an opportunity to review the first edition of *Financing Child Care in the United States*. As a result, she developed an interest in the role of child care in community and economic development, and she researched initiatives to stimulate child care capacity, particularly by using private-sector investment. This allowed the coalition to develop and present additional strategies to enhance child care capacity.
- While high-level leadership from legislators helped to pass the Start ME Right legislation, the coalition also was able to make effective use of the press and hearings to get the word out on the scope and breadth of Start ME Right. Coalition members were represented in the group that made recommendations for the use of the tobacco settlement funds. They were able to argue successfully that the Start ME Right agenda was an appropriate use of the tobacco funds.
- The inclusion of the tax-based incentives and the business-economic orientation in Start ME Right was seen as important to the support of Governor Angus S. King Jr. (Ind.) for the legislative packet. Maine had a tight labor market at the time the legislation passed; additionally, child care programs provided the third largest source of employment in Maine, which helped position the initiative as a positive contribution to community and economic development.
- Members of the coalition report that the implementation of Start ME Right has required ongoing engagement and oversight, particularly since much of the money requires an annual appropriation. They have had to work with the state agencies to develop implementation guidelines and to continue mobilizing to secure ongoing state investment in Start ME Right. This has allowed the participating organizations and individuals to work on increasing the sophistication of the advocacy effort while retaining clarity about their vision and objectives.
- One of the key groups that made up the Start ME Right Coalition is known as ACCESS, which serves as a broad-based coalition of child care organizations in Maine. ACCESS started in January 1997 as an informal association bringing together the Maine Child Care Director's Association, Maine Head Start Director's Association and the Maine Association of Child Care Resource and Referral Agencies. By fall 1997, Maine's Office of Child Care and Head Start made funding available to the group through its federal Head Start collaboration grant. Funds from the

collaboration grant allowed ACCESS to establish ground rules and principles, create a code of ethical behavior, build skills for collaboration, collect data and establish benchmarks for system improvement. ACCESS was able to establish a unified public policy agenda and identify a legislative champion to introduce legislation. ACCESS' agenda and legislative contacts were then incorporated into the work of Start ME Right. ACCESS continues to provide leadership on child care issues and to increase the capacity of the child care community as a public policy leader and change agent for child care.

- ACCESS was aided in its development and work by support from Maine's Office of Child Care and Head Start. Maine's child care administrator was a strong internal advocate who believed that investment in child care would not grow unless the field developed stronger, more unified advocates for child care. The Head Start Collaboration Project provided an opportunity for the state to use flexible funds to assist the child care organizations to strengthen their skills in public policy analysis and advocacy.
- In addition to the past work done to create a unified agenda for child care prior to Start ME Right, the coalition also was aided in its work by a public education campaign that preceded the Start ME Right initiative. Using data about children in Maine, along with research findings on brain development, the Maine Children's Alliance reached out to the public and the media to highlight the need to provide services for children during their early, preschool years.

OTHER SITES WITH SIMILAR STRATEGIES

A number of states have expressed interest in using tobacco settlement money to support early childhood care and education. The Kentucky legislature, for example, passed legislation designating 25 percent of the state's tobacco settlement money ($56 million over two years) for quality improvements in child care and health services for children under age 6. This new law would create an authority in the Governor's Office of Early Childhood Development that would make the final decisions about grant awards. The law calls for a state system for rating child care centers and preschools based on teacher training, child–teacher ratios and staff size. It authorizes home health visits to new parents, universal vision screening for newborns and hearing tests for new public school students.

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EDUCATION

STATE INVESTMENTS IN PREKINDERGARTEN PROGRAMS

1988–1999[1]

State	Prekindergarten Program	Annual Budget[2] 1987–88	Annual Budget[3] 1998–99	Percentage Change[4]
Alabama	Preschool Collaboration Project	nonexistent	$690,000	
Alaska	Comprehensive Preschool Alaska Head Start	$197,000 $2.7 million	(incl. in Head Start) $5.5 million	90%
Arizona	Early Childhood Block Grant (Prekindergarten Component)	nonexistent	$10 million	
Arkansas	Arkansas Better Chance	nonexistent	$10 million	258%
California	State Preschool Program	$35.5 million	$127 million	
Colorado	Colorado Preschool Program	nonexistent	$8.9 million	10,925%
Connecticut	Head Start School Readiness & Child Care Initiative	$400,000 nonexistent	$5.1 million $39 million	1,805%
Delaware	Early Childhood Assistance Program	$189,000	$3.6 million	29%
District of Columbia	Prekindergarten Head Start	$12.2 million $1.1 million	$14.6 million $2.6 million	2,129%
Florida	Prekindergarten Early Intervention Title I Migrant Prekindergarten	$1.6 million $2.9 million	$97 million $3.3 million	
Georgia	Prekindergarten for 4-Year-Olds	nonexistent	$217 million	958%
Hawaii	Open Doors Preschool Head Start	nonexistent $291,790	$2.7 million $387,387	971%
Illinois	Early Childhood Block Grant (Prekindergarten Component)	$12.7 million	$136 million	
Iowa	Comprehensive Child Development	nonexistent	$7.6 million	
Kansas	4-Year-Old At-Risk Preschool Head Start	nonexistent nonexistent	$3 million $2.5 million	17,003%
Kentucky	Kentucky Preschool Program	$232,123	$39.7 million	267%
Louisiana	Preschool Block Grant	$1.8 million	$6.6 million	87%
Maine	Two-Year Kindergarten (4-year-olds) Head Start	$27,730 $1.9 million	$1.3 million $2.3 million	485%
Maryland	Extended Elementary Education	$3.3 million	$19.3 million	484%
Massachusetts	Community Partnerships for Children Head Start	$10.3 million $4.5 million	$79.5 million $6.9 million	2,817%
Michigan	Michigan School Readiness Program	$2.3 million	$67.1million	1,350%
Minnesota	Head Start Learning Readiness	$2 million nonexistent	$18.7 million $10.3 million	
Missouri	Early Childhood Development, Education & Care	nonexistent	$21 million (FY 00)	
Nebraska	Early Childhood Projects	nonexistent	$500,000	
New Hampshire	Head Start	nonexistent	$230,000	

State	Prekindergarten Program	Annual Budget[2] 1987-88	Annual Budget[3] 1998-99	Percentage Change[4]
New Jersey	Early Childhood Program Aid (Preschool Only) Head Start	$7.9 million nonexistent	$246 million $1.4 million	3,032%
New Mexico	Child Development Program Head Start	nonexistent nonexistent	$1.3 million $5 million	
New York	Experimental Prekindergarten Universal Prekindergarten	$27 million nonexistent	$52.2 million $67 million	341%
North Carolina	Smart Start	nonexistent	$140 million	
Ohio	Public School Preschool Ohio Head Start	$18,000 nonexistent	$17.7 million $90.6 million	601,567%
Oklahoma	Early Childhood 4-Year-Old Program Head Start	$832,275 nonexistent	$36.5 million $3.3 million	4,682%
Oregon	Oregon Head Start Prekindergarten	$1.1 million	$16.3 million	1,382%
Pennsylvania	Education Aid for Kindergarten for 4-Year-Olds	$1.7 million	$5.7 million	235%
Rhode Island	Head Start Early Childhood Investment Fund (Preschool Only)	$365,000 nonexistent	$1.97 million unknown	440%
South Carolina	Early Childhood Program	$10.9 million	$22.3 million	105%
Tennessee	Early Childhood Education Pilot Program	nonexistent	$3.1 million	
Texas	Public School Prekindergarten Program	$46.2 million	$235 million	409%
Vermont	Early Education Initiative	$500,000	$1.32 million	164%
Virginia	Virginia Preschool Initiative	nonexistent	$23.5 million	
Washington	Early Childhood Education & Assistance Program Head Start	$4.7 million $660,000	$28.9 million $470,000	448%
West Virginia	Kindergarten for 4-Year-Olds	$258,574	$6.2 million	2,298%
Wisconsin	4-Year-Old Kindergarten Head Start	$4.3 million nonexistent	$19.8 million $4.95 million	476%
Total All States		**$202.6 million**	**$2,000.4 million**	**888%**

FOOTNOTES

[1] This chart contains information on the 41 states and the District of Columbia that offer any form of prekindergarten financing.

[2] Bank Street College (1989). *The Public School Early Childhood Study: State Survey.*

[3] Children's Defense Fund (1999). *Seeds of Success: State Prekindergarten Initiatives 1998-99.* Families and Work Institute (1998). *Prekindergarten Programs Funded by the States: Essential Elements for Policymakers.*

[4] This column reflects change from 1987-88 to 1998-99. Annual amounts combined for calculation. Increases to keep pace with inflation over this period would amount to about 32 percent.

COMMUNITY PARTNERSHIPS FOR CHILDREN (MASSACHUSETTS)

DESCRIPTION

Community Partnerships for Children (CPC) is a state-funded program of the Massachusetts Department of Education (DOE) designed to provide comprehensive, high-quality programs for preschool-aged children and their families. A Community Partnership Council, composed of agencies and families in a community or group of communities, plans and implements a local system of preschool programs and services. The goal is to increase the availability, affordability and quality of programs that respond to the needs of working parents and that enhance children's learning and healthy development

WHEN ESTABLISHED

The original program began in 1986 as part of the Public School Improvement Act of 1985. It was modified and became Community Partnerships for Children when additional funds were appropriated for FY1993.

ANNUAL AMOUNT

The total amount available for FY1999 was $79.5 million, for FY2000 the amount available was $94.5 million, and the amount available will rise to $99.5 million in FY2001. Each city or town in Massachusetts is eligible for a share of the funding, ranging from a minimum of $11,893 for the smallest towns to the allocation for the City of Boston, which was $2.4 million for FY2000. Statewide, at least $2 million must be contracted to Head Start programs. CPC is funded with general revenue within the DOE budget.

SERVICES FUNDED

Each city or town must establish a CPC Council, which develops a plan and application for funding based on a community needs assessment. A variety of services may be funded in addition to child care and early education services to preschool children. These services include: training and technical assistance to providers of early care and education (including scholarships and professional development programs); comprehensive programs and services (such as social, health and nutrition services, family education and family literacy), and capital projects to improve existing space or expand capacity to serve preschoolers.

Direct preschool services must operate at least 2.5 hours per day for at least three days per week during the school year. There is strong emphasis on serving working families, so many programs operate full-day year-round. Statewide, at least one-third of children served by CPC funds must be in full-day, full-year programs. Parents are required to contribute to the cost of care based on a sliding fee scale.

All CPC-funded programs must have or seek accreditation from the National Academy of Early Childhood Programs (i.e. the accreditation arm of the National Association for the Education of Young Children). Family child care providers must have or seek a Child Development Associate credential or accreditation by the National Association for Family Child Care. CPC-funded programs in public schools must meet Massachusetts DOE preschool standards. Head Start, private child care and family child care programs must be licensed.

HOW FUNDS DISTRIBUTED

CPC funds are allocated to each city and town using a formula based on the number of resident 3- and 4-year-olds and the percentage of working families earning less than 75 percent of the state median income. These factors are used to determine a base amount per child, with an additional amount per low-income child. CPC funds are grants, subject to review by the Department of Education (DOE) and outside reviewers. The DOE may accept, reject or return an application for revisions.

To access CPC funding, a community (one city or town) or a group of communities (several geographically connected cities and towns) must establish a CPC Council. The CPC Council selects one lead agency which submits the application to the DOE. The lead agency may be a public school district, a Head Start agency or a licensed child care agency. The lead agency subcontracts for services with local agencies. Head Start programs, private child care programs, public school preschools, community agencies and family child care providers are encouraged to participate, and all may apply to serve children with CPC funds.

The community CPC Council is the heart of CPC. The Council represents the community(ies) in the partnership and develops the plan for expanding and improving preschool education and maximizing the use of existing resources. By statute, nine members are required: one public school principal; three providers of early care and education to young children (i.e. teachers or family child care providers); two parents of young children; one representative from the local child care resource and referral agency, one representative from the local Head Start agency and one private provider of child care (e.g., a nursery school, religious preschool program, nonprofit or proprietary child care center or family child care provider). The DOE further requires at least one family child care provider and two additional community members who are not providers. If the Council represents more than one community, it must include at least one parent, one teacher and one administrator from each community.

POPULATION SERVED

Every city and town is eligible to receive funds. Eligible children are preschoolers, between 2.9 years and the age of kindergarten eligibility in the school district. In FY1999–2000, CPC served 19,100 preschool-aged children in 325 out of the 351 Massachusetts cities and towns.

In past years, eligibility criteria limited CPC to serving children who had working parents (employed either full- or part-time) earning less than 100 percent of the state median income.[1] All CPC-funded programs must serve, or be willing to serve, children with disabilities (regardless of whether the parent is employed). A disabled parent is not required to be working. Beginning in FY2000–01, the income limit was increased to 125 percent of the state median income and first priority was given to serving families who are on waiting lists for state child care subsidies (who may be either working or in school). Within these state criteria, local CPC Councils may set additional eligibility priorities.

STRATEGIC CONSIDERATIONS

- CPC produces results and is cost-effective. An evaluation of Community Partnerships for Children by Tufts University (1996) found that the program had enhanced collaboration, improved quality (as demonstrated by seeking or achieving accreditation) and served many children who would not otherwise have attended preschool. The evaluation estimated that for every state dollar invested, an additional 45 cents of in-kind contributions were provided by community programs and organizations.
- CPC is able to deliver significant amounts of flexible funding to communities for the broad purposes of improving quality, access and affordability of early care and education. It is much less prescriptive than most public child care funding streams.
- The commitment to collaboration in the planning and implementation of CPC is viewed by those involved as key to its success. Requiring one representative body to assess community needs, develop a consolidated plan in response and be accountable for the funds and their results makes sense. Understanding that collaboration is both sensible and difficult to practice, the DOE offers ample technical assistance and support for communities in the form of liaisons (staff from Early Learning Services assigned to communities) and materials such as manuals and guides.
- Some members of local CPC Councils express concern about the power differential among members. Because of their higher status and direct relationships to the DOE, public school officials are perceived to have much greater influence on decision–making than a parent or the director of a small center or family child care provider. Leadership training might be a way to address this concern.
- Flexibility and responsiveness are central to CPC's success to date. For example, while a CPC Council is required and defined in statute, the DOE strongly encourages communities to adapt or merge existing councils or coalitions to meet the intent and requirements of CPC, rather than create yet another local council. When several CPC Councils identified the need for capital improvements and asked for CPC funds, the DOE conducted a pilot project in a few communities to determine the most effective methods, and then allowed all communities to apply to spend CPC funds on capital projects.
- Some have raised concerns about the capacity of local CPC Councils on issues of accountability and fiscal management. For example, a local Council intent on improving programs for children though financial support voted to raise reimbursement rates for all providers without calculating the full fiscal impact. Funds ran out before the year ended.
- Requiring that participating programs either seek or have accreditation is an admirable strategy for improving quality. However, there is no time limit within which accreditation must be achieved, effectively allowing programs to remain in the "seeking" phase indefinitely.
- CPC is one of only a few state-funded preschool programs that allow capital expenditures. CPC developed an application process that distinguishes between small and large projects, ensures that CPC-funded projects will serve CPC-eligible children over a reasonably long period of time, and provides technical assistance and oversight on capital projects. Oversight and technical assistance are delivered through a statewide contract that is funded by charging a 5 percent fee on all capital projects over $25,000.
- CPC grants cannot pay for direct salary enhancements. However, cost–of–living increases and incentives such as scholarships for college courses, paid training days and bonuses for achieving accreditation are allowed.
- All CPC programs, including those in public schools, charge fees to parents. Massachusetts is one of only a few states that require parents to pay a fee for preschool programs. CPC is based on the philosophy that parents have a role to play in paying for early care and education and that a public-private system should promote choice and fair competition among the public and private sectors. To promote the concept of "one system for all children," CPC uses the state child care subsidy sliding fee scale (i.e. parent co-payments) developed by the state agency that administers public child care funds.
- CPC has not adopted other eligibility rules characteristic of subsidy policy that often disrupt services. For example, one child-friendly CPC policy

in statute allows the child of a parent who becomes unemployed during the year to remain enrolled in the CPC program to the end of the fiscal year (June 30).

- Requiring that child care resource and referral agencies (CCR&Rs) are members of CPC Councils is an opportunity for their broad vision for early care and education and specific knowledge of community needs and resources to inform each Council. Since there are only 13 CCR&Rs in Massachusetts and 351 cities and towns, serving on every Council is labor-intensive for the CCR&Rs, which are not compensated unless they are contracted by a CPC lead agency to provide specific services to a community.
- A standardized needs assessment process, called "Community Profiles," has been established to aid CPC planning. Each CPC must participate once every three years. This allows the community to collect a wealth of data for local planning and provides the state with additional data. Local staff and volunteers conduct a study, which consists of five surveys. The DOE analyzes the data and returns the results to the sites. CCR&Rs may contract with local Councils to conduct these studies.
- The annual application process, driven in part by the annual legislative appropriation process, is not well-matched to the long-term nature of CPC's goal to construct local systems. An option that has been suggested is to adopt a three-year cycle, with each local Council submitting a three-year plan for DOE approval, using a simplified annual application for funding and annual monitoring of progress by the DOE.

OTHER SITES WITH SIMILAR STRATEGIES

All but nine states have some type of state-funded preschool education program, as summarized on the chart State Investments in Prekindergarten Programs on page 81. Massachusetts's program has a unique collaborative planning and oversight structure, and it is more comprehensive in its scope, more flexible in its funding and more systemic in its goals than most other programs. For more information on state-funded prekindergarten programs, see the 1998 Families and Work Institue report, *Prekindergarten Programs Funded by the States: Essential Elements for Policymakers* (available on-line at www.earlychildhoodfinance.org), and a 1999 report from the Children's Defense Fund, *Seeds of Success: State Prekindergarten Initiatives 1998-99.*

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[1] State median income in Massachusetts was approximately $59,200 for a family of four in 2000.

EARLY CHILDHOOD PROGRAM AID (NEW JERSEY)

DESCRIPTION

The Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA) is New Jersey's school funding law, passed partially in response to a school finance equity lawsuit (Abbott v. Burke). The act established Early Childhood Program Aid (ECPA) for the lowest-wealth school districts in the state to extend part-day kindergartens to full-day for 5-year-olds and to offer half-day preschool to all resident 4-year-olds. Those districts, designated as "Abbott Districts," also must provide half-day preschool for 3-year olds. ECPA is intended to provide fiscal resources to ensure that all children in districts with high concentrations of low-income students receive half-day preschool and full-day kindergarten.

WHEN ESTABLISHED

The Abbott educational equity case has been in process for more than 30 years. There have been several judgments by the New Jersey Supreme Court. The most recent is Abbott VI, in March 2000. The previous ruling in 1998, Abbott V, required that 28 high-poverty districts, or "Abbott Districts," generally those in which low-income students are 40 percent or more of total enrollment, implement "whole school reform", including providing full-day kindergarten for all 5-year-olds and at least half-day preschool for all 3- and 4-year-olds. In June 1999, the New Jersey Legislature designated two more districts as Abbott Districts, bringing the total to 30.

The legislature designated both Abbott and other low-wealth districts – generally those with concentrations of low-income students between 20 percent and 40 percent of total enrollment – as eligible for ECPA. The aid became available to districts in the 1997-98 school year. A district's eligibility for ECPA is determined annually, which results in fluctuation in the total number of ECPA districts each year. In the 1997-98 school year, in addition to the 28 Abbott Districts, 97 additional school districts were eligible for ECPA. In 1999-00 there were 105 non-Abbott Districts eligible for ECPA in addition to the 30 Abbott Districts, for a total of 135.

Abbott Districts were required to fully implement court-ordered preschool and kindergarten by 1999-00. The non-Abbott districts are required to provide half-day preschool for all 4-year-olds and full-day kindergarten for all 5-year-olds by the 2001-02 school year.

ANNUAL AMOUNT

A total of $303 million was available for ECPA in 1998-99, increasing to $310 million for 1999-00. ECPA is a school-aid funding formula created by combining some new money and several pre-existing school aid categories into one and redirecting the funds to specified early childhood programs. Not all of the ECPA funds are new aid to districts.

SERVICES FUNDED

Preschool and kindergarten services are funded in specified school districts with high concentrations of low-income students. The court decisions require Abbott Districts to have a maximum class size of 15 with 1 teacher and 1 aide for preschool; teachers must hold state certification. The court ordered the New Jersey Department of Education (DOE) to adopt, within one month of the Abbott VI ruling, standards on educational content of preschool programs to ensure well-planned, high-quality early childhood education. Using existing community-based child care and Head Start organizations to deliver preschool is "necessary and appropriate," and the court further affirmed that all preschool programs, wherever they are delivered, must meet state standards. Children enrolled in a federally funded Head Start program are defined as already being served by a preschool program only if the Head Start program meets the DOE's preschool standards. However, Head Start programs are permitted to collaborate with districts when establishing new classrooms.

The non-Abbott ECPA districts also may choose to contract with community-based organizations to offer preschool. In these districts, either a class size of 15 with 1 teacher or class size of 20 with 1 teacher and 2 aides is recommended, but not required. Currently, the same requirement that applies to kindergarten–class size of 25 with one teacher–applies in these districts. Teachers in all ECPA-funded programs must be certified, and the Preschool-Grade 3 (P-3) teacher certification is being reinstated. The court ruled that personnel currently working in community-based centers contracting with Abbott districts would be grandmothered. These staff will have four years to earn a bachelor's degree and obtain P-3 certification. However, any newly hired teachers must possess a bachelor's degree and will have until September 2001 to obtain P-3 certification. Funds must be made available to assist staff in obtaining degrees and certification. Data were not available on the proportion of certified teachers currently working in ECPA programs.

Beginning with the 2001-02 school year, districts are required to expend all ECPA funding on kindergarten and preschool students. Prior to that school year, districts were able to spend ECPA to expand facilities and programs for students other than preschoolers and kindergartners, as long as preschoolers and kindergartners would ultimately benefit and adequate progress was made toward meeting the implementation goals of ECPA.

HOW FUNDS DISTRIBUTED

ECPA is distributed to local school districts. The aid formula is based on a modified K–12 enrollment and poverty level.

POPULATION SERVED

Children 3 to 5 years old who are residing in specific school districts may be served. In 1998–99, there were 44,186 children ages 3 to 5 years old enrolled in ECPA districts – 8,305 children enrolled in full-day kindergarten and 35,881 children enrolled in preschool. The Abbott Districts include about 25 percent of the state's children. Taken together, all ECPA districts account for about 40 percent of the state's children.

STRATEGIC CONSIDERATIONS

- Preschool education is a legitimate aspect of educational equity. Higher income families are two to three times more likely to enroll their children in preschool programs than are lower income families. Research evidence demonstrates both effectiveness and benefits that far outweigh costs, especially for disadvantaged children who attend quality preschool.
- The Abbott v. Burke lawsuit has provided an opportunity to improve the quality of preschool programs for 3– and 4–year–olds and increase access. However, litigation as a strategy has limitations, especially when a lawsuit has continued for several decades under highly adversarial conditions. In such a climate, trust can be hard to establish. In its latest ruling, the New Jersey Supreme Court said: "It is our hope that the adversarial relationships between the parties will give way to a cooperative effort focused on the provision of high–quality preschool programs for children in the Abbott districts. The children deserve no less."
- Other organizations that are not part of the lawsuit have played useful roles to help successful implementation. For example, the Association of Urban Superintendents of the New Jersey Association of School Administrators meets regularly with Department of Education staff to share information, and the Governor's Task Force on Early Childhood Education developed detailed expectations for quality programs.
- The state Supreme Court required Abbott Districts to design programs based on the "particularized needs of children." To help districts respond, philanthropy in New Jersey provided partial financial support to a university policy center to conduct needs assessments in 22 of the 30 Abbott Districts. The districts also contributed to the cost of these services. The assessment focused on the access to preschool services that 3–, 4– and 5–year–old children currently had, the needs of children, resources available in families and the community and the quality of community–based early childhood programs, including present teacher qualification levels. These districts were provided with an essential baseline of information.
- Before attempting to deliver preschool services through collaboration between school districts and community–based organizations, considerable attention and effort must be directed toward building the constituency for expansion and innovation, both among community–based organizations and among school districts. One approach to building the constituency across sectors is the Early Education Coalition, which brings together dozens of stakeholder organizations, including New Jersey Association of Child Care Resource and Referral Agencies, New Jersey Association for the Education of Young Children, New Jersey Head Start Association, the New Jersey Education Association, the state Principals and Supervisors Association and the Association of Early Childhood Teacher Educators. Philanthropy helped to support this coalition by providing some funding to the state–wide child advocacy organization, Association for Children of New Jersey, which convened it.
- To access new resources, community–based early childhood programs have to admit that there is room for improvement. This is often a challenge. Arguing that a program is already providing a quality preschool education undermines the rationale for investing in improving quality.
- Advocates believe that ECPA funds are not sufficiently well–directed toward quality programs, although reinstatement of the Preschool–Grade 3 teaching certificate is regarded as a positive move. The Department of Education has not yet promulgated quality program standards applicable to all ECPA districts and continues to permit class sizes of 25 children with only one teacher.
- Differing requirements for Abbott and non–Abbott districts such as teacher qualifications, class size and community collaboration in preschool operations have created unnecessary confusion, which has made implementation more difficult.

OTHER SITES WITH SIMILAR STRATEGIES

Many states have at least one ongoing lawsuit on school finance equity. (For information on these, see the Information Clearinghouse website maintained by the Education Commission of the States: www.ecs.org.) Some of these may have the potential to include preschool. For example, in February 1999, in a North Carolina lawsuit on the constitutionality of the state's funding of education, a Superior Court trial judge ruled that disadvantaged children have a constitutional right to preschool education.[1]

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FOOTNOTE

[1] Simmons, Tim (February 13, 1999). "Judge: Poor Have Right to Preschool." Raleigh, NC: *The News & Observer*. (Pages 1B, 5B).

PREKINDERGARTEN PROGRAM (TEXAS)

DESCRIPTION

Texas established a categorical, part-day, school-year prekindergarten program targeted for at-risk 4-year-olds and is the only state that requires school districts to provide a prekindergarten program if at least 15 eligible children reside in the district.

WHEN ESTABLISHED

Texas established its prekindergarten program as part of an education reform package recommended to the legislature by the Select Committee on Public Education, appointed by the governor in 1983. House Bill 72, considered in a special legislative session called by the governor, was passed and signed into law in July 1984, and the program was implemented in the 1985-86 school year.

ANNUAL AMOUNT

In the 1998-99 school year, state education funds for prekindergarten totaled $171.9 million, supporting 925 districts serving 138,429 children. For the 1998-99 school year, per pupil aid was $2,485. State aid per prekindergartener is set at half this amount, or $1,242.50. Recent legislation appropriated $200 million for two years to fund the optional expansion of the prekindergarten program from a half-day to a full-day program. Priority for the funding is given to districts in which the third-grade achievement scores fall below average.

SERVICES FUNDED

House Bill 72 authorizes any school district to provide prekindergarten classes, but requires school districts that have more than 15 educationally disadvantaged 4-year-olds within the district to provide a program. The definition of "educational disadvantage" applies to children whose families are low-income, unable to speak English or homeless.

The prekindergarten program can be operated only by school districts and within public school facilities, although subcontracting is permitted and coordination with other early childhood programs such as Head Start is encouraged. Prekindergarten programs must meet at least three hours a day for the full school year and be taught by a certified teacher.

HOW FUNDS DISTRIBUTED

For the first three years, a fixed allocation for prekindergarten was a line item in the state education budget. The funds were distributed among participating districts based on a funding formula that favored poorer districts. The original law required that a local district provide a cash match of up to one-third of the cost of the prekindergarten program.

In 1990–91 the funding method was changed to the Foundation School Program (regular education aid) with each district claiming reimbursement for its prekindergarten program based on the average daily attendance of children enrolled in prekindergarten. Prekindergarten pupils count as one-half of a pupil in kindergarten. Since Foundation School Program funding per pupil fluctuates from year to year, the reimbursement per prekindergarten pupil also varies.

POPULATION SERVED

The prekindergarten program is designed to serve children with an "educational disadvantage", which may be limited ability to communicate in English, low family income or homelessness.

In 1991, the state Board of Education permitted districts to serve 3-year-olds who met these criteria. The board also ruled that if all eligible children in a district were served, the district could extend its prekindergarten program to other children, both 3- and 4-year-olds. The number of 3-year-olds served during the school year 1998–99 was 13,411, and 125,018 4-year-olds were served.

STRATEGIC CONSIDERATIONS

- In theory, the change from a direct prekindergarten allocation to including prekindergarten in regular education reimbursement aid allows the program to grow at the rate local districts are able to provide funds, rather than being limited by a specific annual state budget allocation.
- Placing prekindergarten funding within the regular aid formula may provide relatively permanent funding. On the other hand, it may also place a program at the risk of losing a distinctive preschool curriculum.
- When the funding stream changed from a categorical allocation to being included within regular education aid, Texas elected to remove many of the preschool requirements, such as class size and curriculum.
- The preschool program has grown to such a degree that many districts have run out of space and are considering subcontracting.

OTHER SITES WITH SIMILAR STRATEGIES

Many states require certain school districts to provide a preschool program to target their prekindergarten programs to low-income children. Other states provide publicly funded prekindergarten classes for 4-year-olds without eligibility criteria other than age. See the chart on page 81, State Investments in Prekindergarten Programs. For more information on state-funded prekindergarten programs, see a 1998 Families and Work Institute report, *Prekindergarten Programs Funded by the States: Essential Elements for Policymakers* (available on-line at www.earlychildhoodfinance.org), and a 1999 report from the Children's Defense Fund, *Seeds of Success: State Prekindergarten Initiatives 1998–99.*

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UNIVERSAL PREKINDERGARTEN PROGRAM (NEW YORK STATE)

DESCRIPTION

New York State's Universal PreKindergarten program (U–PreK) provides state funding to local school districts. Quality preschool programs are developed, which support family needs and use the available early childhood resources in a community. The goal of this program is universal opportunity for all 4–year–olds in the state to participate in voluntary preschool education programs.

WHEN ESTABLISHED

In 1997, the legislature established a new universal prekindergarten program for 4–year–olds, as part of an overall education improvement bill that included a variety of provisions, such as financial incentives to school districts to reduce class sizes in the early grades and to offer full–day kindergarten. The new preschool programs began in the 1998–99 school year and will be phased in over five years.[1]

ANNUAL AMOUNT

In the first operational year of the U–PreK program (FY1998–99), $67 million was appropriated. For FY1999–00, the amount appropriated was $100 million, which translated into $89 million actually committed for expenditure. The FY2000-01 appropriation is $225 million. The annual appropriation would be expected to rise to $500 million by 2003. The statute sets the minimum and maximum per child state contributions at $2,000 and $4,000. The legislature has increased the minimum to $2,700 each year to date.

SERVICES FUNDED

U–PreK is a quality preschool program that must be delivered in ways that support the needs of children and of parents who may be working or attending school. The legislation authorizing U–PreK requires that family needs be taken into consideration in planning programs. To ensure that all preschool resources in a community are used, the legislation requires that districts "collaborate with eligible community agencies." The statute requires that districts contract at least 10 percent (and allows them to contract up to 100 percent) of their U–PreK funding to eligible community agencies, which include Head Start, child care centers, nursery schools, private schools and preschool special education providers. In the first year of the program, more than 35 percent of funding was used for collaborative U–PreK programs provided by eligible agencies. By 1999–00, the proportion of funding for collaborative U–PreK programs rose to 51 percent.

U–PreK programs must offer preschool education for a minimum of 2.5 hours per day for 180 days per year. Programs must implement curricula appropriate for the ages and developmental stages of the children and must provide activities for parent participation, including: parent–staff conferences, weekly communication and parent meetings. Class size is generally 16 children with a teacher and an assistant, and by regulation may not exceed 20 children (with three adults); qualified staff members are required. In public schools, teachers of U–PreK classes must have certification in elementary education or elementary with the early childhood annotation, or bilingual elementary or early childhood education. Teachers in U–PreK programs offered in agencies other than public schools must meet the staff qualifications requirements of those agencies and be supervised by a certified teacher. Beginning in the 2001–02 school year, teachers in other agencies must meet the same requirements as those in public schools.

HOW FUNDS DISTRIBUTED

Local school districts are eligible to receive an annual allocation for U–PreK according to a formula based on needs–related factors such as relative property wealth and income and on the number of eligible children. In the 1998–99 school year, 130 districts (out of about 750 districts statewide) were eligible. In 1999–00, 125 additional districts became eligible, and 99 were participating. In 2000–01, a total of 491 school districts will be eligible.

To receive their allotted funds, districts must submit a plan to the State Education Department for approval. The U–PreK program plan must reflect the following minimum program components noted in the law and elaborated in regulation: child–centered curriculum that is age and developmentally appropriate, focus on developing language, cognitive and social skills, continuity with instruction in the early elementary grades, emphasis on developing children's independence and self–assurance, co–location and integration of children with special needs, provision of social services according to child and family needs, qualified staff, a strong parent partnership and involvement in the planning process and implementation, and professional development.

Districts are notified during the year prior to being eligible for funding. In the year prior to a district being eligible to receive funding, the superintendent must appoint a Prekindergarten Policy Advisory Board to recommend to the Board of Education whether and how the district will implement U–PreK. If the advisory board recommends implementation and the Board of Education accepts the recommendation, the advisory board is responsible for developing the prekindergarten program plan to submit to the school board for its approval. By law, advisory boards must include: at least one member of the Board of Education, district teachers, parents of children in district schools, community leaders, child care and early

FOOTNOTE

[1] Since 1966, New York has funded a prekindergarten program for economically disadvantaged 3– and 4– year–olds. Called the "Experimental PreK Program," it can be operated only by the public school districts. State appropriations for this program over the past several years have been level at $50 million per year. Districts are required to pay at least 11 percent of the cost of these programs.

childhood education providers. The boards may also include: parents of children in preschool programs, private preschool special education providers, representatives of higher education programs, representatives of public agencies, members of the advocacy community and others.

The advisory board must hold at least one public hearing for input. In their deliberations, advisory boards are required to consider: the total number of children potentially eligible for U-PreK, the needs of parents who work or go to school, the number of children requiring full-day care, the short-term and long-term benefits to children of participating in preschool programs, the accessibility of proposed programs, the capacity of the district's existing early childhood programs and the capacity of eligible agencies within the district.

POPULATION SERVED

Children who are 4 years old and reside in a school district that offers U-PreK are eligible. Beginning in school year 1999-00, the legislature added a requirement that priority in enrollment must be given to economically disadvantaged children. Offering U-PreK is voluntary for school districts; enrollment is voluntary for children. In the 1998-99 school year, a total of 18,300 children were enrolled in U-PreK across the state (14,000 of them in New York City). In the 1999-00 school year, enrollment statewide was more than 27,000 children.

STRATEGIC CONSIDERATIONS

- The statutory provision that each district appoint a PreK Policy Advisory Board to recommend whether and how the district will implement U-PreK has benefits beyond ensuring that U-PreK programs are locally responsive and inclusive. In some cases, these boards have broadened their focus beyond 4-year-olds to examine the full range of early childhood care and education opportunities in their district and have become advocates for system improvement. For example, along with their recommendations about U-PreK, some district advisory boards recommended full-day kindergarten and raised the issues faced by working parents trying to use part-day programs.
- Statutory provisions requiring collaboration have been positive. Some observers predicted opposition and conflicts between districts and community early childhood programs. In contrast, the collaboration experience of the first two years was judged to be highly positive, with community members very willing to serve on advisory boards and the vast majority of community-based early childhood programs strongly in favor of U-PreK. The proportion of collaborative U-PreK programs is much higher than the required 10 percent. By combining U-PreK funding with other early care and education funds, some full-day opportunities have been made available.
- The collaboration requirement encouraged districts to develop competitive processes for recruiting and selecting the highest quality local programs. District staff and PreK advisory boards made site visits, developed requests for proposals, screened applicants and negotiated contracts. The contracts included agreements, in some cases, to use the district's PreK curriculum and in others, to include collaborative U-PreK staff in the district's staff development. The experience to date has helped forge positive relationships between districts and the early childhood community and has potential to increase the continuity and consistency of children's education.
- The requirement that teachers in programs outside public schools become certified within three years reinforces the 'career ladder' concept, building a bridge between community programs and public school programs. Modest funding from the State Education Department—approximately $100,000 per year—supports 60 scholarships through New York's T.E.A.C.H.® program for individuals pursuing degrees leading to elementary certification or the early childhood annotation (an addition to a teaching certificate).
- A consistent opinion among implementers of U-PreK is that the state funding is too little to support high-quality preschool programs. In a recent survey of first year implementing districts, 70 percent reported that the level of state funding was insufficient to support quality. When asked to name the most significant obstacle to implementation, 63 percent said the level of state funding and 58 percent said uncertainty about the stability of the funding. The vast majority of eligible districts not implementing U-PreK cited the low funding level and uncertainty about continuation funding as their top reasons for not proceeding.
- Newly eligible districts generally have sufficient notice to make decisions and plan for U-PreK. However, the chronic problem of late state budgets puts districts in a risky position: either go ahead and commit to enrollment, hiring and contracts without knowing what funds are appropriated or wait until the budget passes and risk not being able to implement on time, angering the community. The state budget is legally due by April 1 for the fiscal year beginning July 1, but has been late for 17 consecutive years, rarely passing before July.
- Working closely with the legislature and the State Education Department, children's advocacy and other non-profit organizations geared up rapidly to develop

technical assistance materials and guidance for districts and for community-based eligible agencies. Their role was particularly critical during the rapid start-up required for the first year, and has been crucial to the ongoing success of U-PreK.

- Although the legislation requires that an evaluation be conducted, no funds have been appropriated for that purpose. Several universities and other organizations are conducting modest studies of U-PreK with philanthropic support. Similarly, no state funding was allocated for technical assistance.

OTHER SITES WITH SIMILAR STRATEGIES

Most other states have prekindergarten programs. At last count, 41 states (and the District of Columbia) have at least one preschool program. Of these only eight limit the operation of programs to public schools. Only Georgia's PreK program is truly universal, having sufficient state funding to offer programs for all 4-year-olds whose parents want them enrolled. See the chart, State Investments in PreKindergarten Programs, page __. For more information on state-funded prekindergarten programs, see a 1998 Families and Work Institute report, *Prekindergarten Programs Funded by the States: Essential Elements for Policymakers* (available on-line at www.earlychildhoodfinance.org) and a 1999 report from the Children's' Defense Fund, *Seeds of Success: State Prekindergarten Initiatives 1998-99.*

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A+ PROGRAM (HAWAII)

DESCRIPTION

The A+ Program provides after-school child care for children enrolled in 178 public elementary schools in kindergarten through sixth grade.

WHEN ESTABLISHED

The program was established in 1990.

ANNUAL AMOUNT

In state fiscal year 1998, $8.3 million of state educational revenue was appropriated for the program.

SERVICES FUNDED

After-school child care (including homework assistance, enrichment activities and supervised recreational activities) is provided after school until 5:30 p.m. during the regular school year at public schools or community sites. The A+ Programs operated by schools are not open when school is closed for vacation, holidays, during teacher institutes or on days when school is open only half a day. The 63 A+ programs operated privately offer extended hours of operation at no additional charge and, for an additional fee, provide child care on days when school is closed.

HOW FUNDS DISTRIBUTED

State funds are allocated to local schools. In cases where the school selects a private provider to operate the program, the state Department of Education (DOE) negotiates a contract with the private entity. DOE reimburses private contractors monthly, based on the enrollment for the first day of each month. Families that are eligible for the free lunch program pay a monthly fee of $6 per child, and those eligible for reduced lunch pay $9 per child. All other families pay a monthly fee of $55 per child. Discounts are available for families with more than one child in the program.[1] In sites where schools operate the program directly, parent fees are deposited into the state's general fund. Parent fees collected by the schools are not tied to their A+ budget and have no direct bearing on the program.

POPULATION SERVED

Children from two-parent families may participate if both parents are employed or in job training or education during the hours of A+ operation. Children from single-parent families may participate if the parent is employed or in a job training or education program during the hours of A+ operation. Children who have a parent employed in the A+ Program may also participate. In total, 22,500 children at 178 public elementary schools are served.

STRATEGIC CONSIDERATIONS

- A+ was established by the administration of former Governor John Waihee (D) prior to his final term in office. The initiative was led by former Lieutenant Governor Ben Cayetano (D), who succeeded Governor Waihee in 1994 and has continued to provide strong leadership and financial support for the program.
- A+ was initially established without the approval of the legislature. While this move may have initially angered some members of the legislature, it allowed rapid program start-up. Strong public support made it easier to gain legislative approval for the program the following year.
- A+ has continued to receive strong public support. Focus groups and surveys indicate high parent satisfaction.
- The A+ Program is running well and has reached most of the children it was designed to serve.
- The decision to house A+ in the public school system was a pragmatic one and provided the infrastructure necessary to establish the program quickly. But school sponsorship has also posed some barriers. For example, allowing the A+ Program to follow a school calendar and remain closed during school holidays and vacations places additional stress on working parents, who must scramble for alternative child care. In contrast, private providers appear to be willing and ready to provide care year-round.
- Staff development activities are limited. Site coordinators, principals, teachers and parents—as well as the evaluators of the program—have raised concerns that A+ staff need more in-service training.
- The lack of separate space for the A+ Program has been a significant problem. The cafeteria/auditorium and playground are the spaces most frequently used for the program. Site visits conducted as part of the evaluation revealed that, even in very well managed or small sites, noise levels are not conducive to doing homework or engaging in quiet group activities. Access to the playground also was limited in some sites. A lack of adequate storage facilities is another problem.
- Concerns have been raised that the parent fee structure is not realistic and that some parents could afford higher fees.
- Reimbursement to contract providers is based on a maximum cost of $70 per child (minus the co-payment collected from parents) and has not increased since the program began. DOE has generated additional revenue for the A+ Program by increasing the fees charged to parents. (Monthly fees were $25 per child when the program began; the full fee is now $55 per child.) For private providers, however, the fee increases reduce reimbursement from DOE and do not result in increased revenue.

OTHER SITES WITH SIMILAR STRATEGIES

Hawaii is the only state that makes after-school child care universally available to all children enrolled in public elementary schools and partially subsidizes its cost to parents.

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FOOTNOTE

[1] Sibling discounts for families eligible for free and reduced lunch are deducted in $1 increments. For two children the monthly fee is $8 per child, for three children the fee is $7 per child, and so forth. Sibling discounts for all other families are deducted in $5 increments. For two children the monthly fee is $50 per child, for three children the fee is $45 per child, and so forth.

AFTER SCHOOL LEARNING AND SAFE NEIGHBORHOODS PARTNERSHIPS PROGRAM (CALIFORNIA)

DESCRIPTION

The After School Learning and Safe Neighborhoods Partnerships Program was established to fund school partnerships with city, county and community organizations to provide after school programs for students in grades K–9. Through these partnerships, academic and literacy supports are provided, as well as safe, constructive alternatives for having fun and learning new skills after school. Programs operate at elementary, middle and junior high school campuses with large numbers of children and youth from low–income families.

WHEN ESTABLISHED

The program was established by three bills during the 1998 legislative session and was amended during the 1999 session.

ANNUAL AMOUNT

A total of $50 million was initially available in 1999. A local match is required (cash or in–kind) from the school district, government agencies, community organizations or the private sector, in an amount equal to 50 percent of the state grant amount. Of the $50 million, $25 million was reserved for elementary schools, and $25 million was reserved for middle schools and junior high schools. The grant award is calculated at $5 per 3–hour increment per student, up to $25 per student per week. The maximum grant for each school year is $75,000 for elementary schools and $100,000 for middle schools and junior high schools. There is an additional increment available for elementary schools with an enrollment greater than 600 students or for middle school or junior high schools enrolling more than 900 students. A supplemental grant is available for summer, intercession and vacation periods. Governor Gray Davis (D) requested and received $35 million in expansion funds, increasing the total funds available to $85 million and creating space for an additional 39,000 children for FY2000. The After School Learning and Safe Neighborhoods Partnership Project is funded with general operating funds from the California Department of Education.

SERVICES FUNDED

Each local program must include two components: an academic component and an enrichment component. The academic component provides tutoring or homework assistance. The enrichment component may include arts, music, sports, recreation, career preparation activities, teen pregnancy and substance abuse prevention services, gang awareness activities, conflict resolution training, community service–learning and other youth development activities. Funds may be used for staff, materials, services, training, equipment, supplies, evaluation, facilities, transportation or other purposes. In elementary schools the program must operate for a minimum of 3 hours and at least until 6 p.m. on every regular school day. It also may operate during any combination of summer, intersession or vacation periods for a minimum of three hours per day. Some flexibility is provided in serving junior high and middle school students, and they are required to participate only three days per week.

POPULATION SERVED

Students in grades K–9 are included, with a priority given to those schools serving a large number of students from low–income families. These schools are defined as those in which at least 50 percent of the students are eligible for free or reduced–cost meals. Ninth graders who attend a high school (rather than a middle school or junior high school) are not eligible to participate. Initial participants were 99 agencies, 126 school districts, 573 sites, 37,999 elementary school students, and 18,680 middle and junior high school students.

HOW FUNDS DISTRIBUTED

The Department of Education disburses funds to successful applicants. These may include cities and Local Education Agencies (LEAs), which include school districts, county offices of education and some charter schools, counties or nonprofit organizations in partnership with, and with the approval of, an LEA. Each partnership must plan its program through a collaborative process. The fiscal agent must be an LEA or city or county government. The funding cycle is three years.

STRATEGIC CONSIDERATIONS

- A strength of California's approach is the emphasis given to building on existing local collaboratives and strengthening relationships between schools and community agencies. It is based on local analysis of strengths and community assets.
- The dynamics of working in collaborative arrangements can be challenging for schools and nonprofit agencies. Often these organizations were accustomed to pursuing and receiving funding on their own, rather than doing so as part of a group. It is imperative that collaboration occurs, since state funding covers only a portion of program costs (i.e. 50 percent matching funds are required).
- State staff have collaborated with other groups to develop and support the program. For example, the state, in partnership with the Foundation Consortium, has provided technical assistance and training to grantees. Also, this partnership, together with the University of California at Irvine and Apple Computers resulted in a CD–Rom with useful activities, resources and staff development materials.

- Coordination between school and after-school programming is a challenge because there is no defined time period for staff to meet. Staff development opportunities can be difficult to arrange due to scheduling conflicts.
- The funding formula is based on attendance, rather than enrollment, which has made it difficult for some school districts to participate.

OTHER SITES WITH SIMILAR STRATEGIES

California's approach involves a large commitment of state Department of Education dollars and an emphasis on both after-school learning and delinquency prevention. See also the profiles on other after-school programs in this catalog: A+ from Hawaii, profiled on page 92, PlusTime New Hampshire, profiled on page 77, and North Carolina's Support Our Students, profiled on page 101.

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HIGHER EDUCATION

CAMPUS-BASED CHILD CARE (NEW YORK)

DESCRIPTION

New York State's higher education fund and federal funds from the Child Care and Development Fund support campus child care centers at the State University of New York (SUNY) and the City University of New York (CUNY).

WHEN ESTABLISHED

State higher education funds were first allocated to SUNY campuses in FY1984–85. The following year, funding for SUNY community colleges was added. Federal child care funds for SUNY and CUNY campuses began in FY1992–93.

ANNUAL AMOUNT

In FY1999–2000, child care centers on CUNY's campuses received a total of $3.4 million in state higher education funds and $1.27 million in federal Child Care and Development funds.

In FY1999–2000, child care centers on SUNY's campuses received a total of $3.91 million in state higher education funds and $1.27 million in federal Child Care and Development funds.

SERVICES FUNDED

Funds support the cost of establishment, renovation, expansion, improvement or operation of child care centers at public two–and four–year colleges in New York. CUNY sponsors 18 child care centers that serve approximately 2,000 children. SUNY sponsors 52 centers that serve approximately 4,500 children each year.

HOW FUNDS DISTRIBUTED

Campus–based centers apply for, and receive, grants from the State University of New York System Administration. There is an annual Request For Proposal process, during which the child care centers submit enrollment, budget and program information. Funds are distributed based on the number of student children served.

POPULATION SERVED

The initiative targets student parents. While faculty, staff and community members may enroll children in the SUNY centers, funding is intended to keep the services affordable for students. Federal Child Care and Development Fund dollars are used to pay child care fees for student parents with family incomes at or below 200 percent of the State Income Standard (similar to the federal poverty level).

STRATEGIC CONSIDERATIONS

- These programs offer vital support for many low–income students who are not eligible for New York State child care subsidies. Child care subsidies are typically limited to employed low–income families.
- The program requires centers to generate a 35 percent match, which often come from student activity fees or parent fees. In New York City a portion of the match is provided by city tax levy funds.
- When the funds were first allocated, the primary focus was on one–time, start–up or expansion to increase the availability of campus–based child care. As the number of centers increased, additional expansion/start–up was not encouraged. However, in FY1999–2000 new funds were allocated to campus–based child care, and campuses were encouraged to expand their child care programs or to start new ones.
- Proponents of campus–based child care argue that targeted investments in campus–based child care pay for themselves in additional tax dollars that are generated by individuals who were able to obtain a college degree, earn higher wages and remain a stable part of the work force.

OTHER SITES WITH SIMILAR STRATEGIES

Seven additional states (California, Florida, Illinois, Kansas, Michigan, Ohio and South Carolina) make funds available to support campus–based child care. These funds are typically allocated as part of the higher education budget. Some states allocate a portion of their federal Child Care and Development Fund dollars to campus–based child care.

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CHILDREN'S CENTER AT THE UNIVERSITY OF COLORADO IN BOULDER (COLORADO)

DESCRIPTION

The Children's Center at the University of Colorado in Boulder is operated by the University's Housing Department and is located in the Family Housing Complex. Both direct and in-kind subsidy for the center is provided by the Housing Department.

WHEN ESTABLISHED

The program began in 1975.

ANNUAL AMOUNT

In 1998, the Housing Department provided the Children's Center with a direct subsidy of approximately $100,000. Additional in-kind subsidy also was provided.

SERVICES FUNDED

Housing Department funds support the ongoing operations of the center as well as one-time capital and equipment costs. Children's Center staff are employees of the University Housing Department.

HOW FUNDS DISTRIBUTED

The basic operating subsidy is transferred by the Housing Department to the Children's Center budget monthly. Additional services such as food, maintenance and supplies are charged back to the Housing Department. Services such as janitorial and occupancy costs are free of charge.

POPULATION SERVED

The Children's Center gives priority, and charges the lowest rate, to children of families who live in student housing. The families of off-campus students receive second priority, and pay a higher, but still subsidized, rate. Staff and faculty are third priority and pay the full price. The center is located at two sites, has four programs and serves approximately 210 children, 12 months to 5 years of age. Approximately 75 percent of the children in the center are from student families, and 50 percent live in student housing.

STRATEGIC CONSIDERATIONS

- The strategy allows the college to apply revenues from housing to help offset the cost of campus-based child care in a planned, intentional manner. It also provides the Children's Center with some financial stability. The center is viewed as an integral part of the Housing Department.
- Because staff at the child care center are employees of the university, they receive full employee benefits comparable to other university employees.

OTHER SITES WITH SIMILAR STRATEGIES

A number of other campuses follow this model—although with some variation—including Colorado State University at Denver and the University of Michigan. Erie County Community College in Buffalo, New York, uses the college's Auxiliary Services Corporation to manage the child care centers. This allows the college to apply revenues from food sales and other student activities to help offset the cost of campus-based child care. For more information on the auxiliary services approach, contact Jerry Voskerichian at (716) 851 1260.

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FINANCIAL AID, UNIVERSITY OF CALIFORNIA AT SANTA CRUZ (CALIFORNIA)

DESCRIPTION

Financial aid policy allows student parents who incur child care costs to become eligible for a higher level of financial aid.

WHEN ESTABLISHED

The precise year this policy was established is unknown. It has been in place on the campus for at least 10 years.

ANNUAL AMOUNT

It is estimated that only 1 or 2 percent of all students who receive financial aid at the University of California at Santa Cruz are student parents who report child care expenses. Funds to support the child care portion of a financial aid package at the university are drawn from a combination of state and federal funds as well as student educational fees.

SERVICES FUNDED

Up to $550 per month for infants and up to $450 per month for each child 1 through 6 years old is added to the standard monthly budget when determining need for financial aid. Students must provide documentation of the actual child care costs they incur. Students may claim expenses for any form of legal child care.

HOW FUNDS DISTRIBUTED

Eligible student parents receive a larger financial aid package. If the child is less than 6 years old, 50 percent of the additional aid (i.e. the portion of the aid package that is attributable to child care costs) is provided as scholarship and 50 percent is provided as a loan. If the child is 6 or older, 100 percent of the additional aid is provided as a loan.

POPULATION SERVED

Student parents who attend the University of California at Santa Cruz are the beneficiaries of this program.

STRATEGIC CONSIDERATIONS

- Each year the federal Department of Education publishes The Student Financial Aid Handbook, which is designed to help financial aid administrators determine whether a particular student is eligible for financial aid from the department's student financial assistance programs. The guidance provided by this book typically governs policy for a wide range of federal sources of financial aid. Although colleges and universities decide how to spend their own financial aid funds, they typically follow federal regulations in awarding these funds, as well. Costs that the student expects to incur for dependent care are included in the handbook as allowable costs that can be included when determining the student's financial need.
- The child care deduction will not always result in an increased financial aid award. In many cases there is a cap on the total amount of financial aid a student may receive, and low–income students often reach this cap prior to adding child care costs to the list of allowable expenses.
- Although a child care expense deduction can help to increase a financial aid award, the deduction does not result in a dollar–for–dollar repayment of child care expenses.

OTHER SITES WITH SIMILAR STRATEGIES

Since the federal government sanctions this practice in its official financial aid handbook, it is likely that many colleges and universities include child care costs when determining need for financial aid.

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SUNY AT STONY BROOK CHILD CARE SERVICES (NEW YORK)

DESCRIPTION

The State University of New York (SUNY) at Stony Brook provides financial support to a campus-based child care program for the children of students, faculty and staff. Funding is provided by the president, the provost, the university hospital and through student activity fees.

WHEN ESTABLISHED

Stony Brook Child Care Services first received support from the provost in 1988. Year by year, additional support was secured from other offices within the university.

ANNUAL AMOUNT

Stony Brook Child Care Services currently receives the following contributions from university offices each year: $55,000 from the provost, $50,000 from the president, $50,000 from the university hospital, $17,000 ($8,500 per semester) from graduate student activity fees (approximately 50 cents per student), $22,000 ($11,000 per semester) from undergraduate student activity fees (approximately 50 cents per student) and $11,000 in donations from faculty and staff (via the United Way State Employees Federated Appeal).

The program secures additional funds from fundraising events, the federal Child Care and Development Fund, State University of New York central administration and a collective bargaining set-aside from the New York State public employee unions.

SERVICES FUNDED

Stony Brook Child Care Services currently serves 97 children, 2 to 5 years old, in four houses located on the campus. A capital campaign is underway to help offset the cost of building a new center (to replace the houses) that will serve 160 children, including a kindergarten classroom and a school-age child care program. The cost of care is partially subsidized for all families. Only 58 percent of the program's revenues come from parent fees. Low- and moderate-income students and staff receive additional subsidies from a sliding fee scale established by the program as well as from state and federal child care funds.

HOW FUNDS DISTRIBUTED

Funding from the provost, the president and the hospital are awarded via contract. Student activity fees are a grant. Except for funds from the provost, which are earmarked for low-income families, all these funds are awarded for general operating support.

POPULATION SERVED

Approximately 50 percent of those enrolled in Stony Brook Child Care Services are children of students and 50 percent are children of faculty and staff. All families pay on the basis of a sliding fee scale. An additional discount is available for families with incomes at or below $40,000.

STRATEGIC CONSIDERATIONS

- Support for Stony Brook Child Care Services was built slowly. It began with the Graduate Student Organization, which initially included child care subsidies in a settlement package that was negotiated with the Provost following a student strike in 1988. Building on this success the center began – year by year – to request support from other parts of the University.
- Stony Brook Child Care Services reports that it takes substantial work to become an integral part of the university. However, the program can now demonstrate that the child care center supports every aspect of the university's mission, including teaching, scholarship, academic excellence, research and community service. The center serves as a practicum site for students in Child and Family Studies, and four members of the center's staff have part-time faculty appointments in that department. Additionally, the center serves as an internship sponsor for other departments of the university including: social welfare, linguistics and nutrition. The local community college and high school also place student interns and volunteers at the center. Outreach is a regular, ongoing part of the child care center's work. Soon after a new administrator arrives at the university s/he receives an invitation to visit the center and learn about how it serves the university.

OTHER SITES WITH SIMILAR STRATEGIES

While strategies and exact sources vary from campus to campus, campus-based child care programs throughout the country receive support from the university administration.

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CRIME PREVENTION AND JUSTICE

NETWORK OF CHILDREN'S CENTERS IN THE COURTS (NEW YORK)

DESCRIPTION

A partnership between the New York State Office of Court Administration (OCA), the State Office of Children and Family Services (OCFS) and a host of community-based agencies has spawned a network of child care centers in court buildings across the state. The centers are designed to provide short-term, drop-in care for children of litigants. Many of the centers also provide family support services, facilitate enrollment in programs such as Head Start and family literacy and conduct intake for subsidized health insurance, child care, WIC and other community programs.

WHEN ESTABLISHED

The Network of Children's Centers in the Courts was established in 1994.

ANNUAL AMOUNT

Since the program began, OCFS has allocated a total of $1.5 million of federal Child Care and Development Fund dollars, in $300,000 yearly allocations, for start-up costs. OCA allocates a portion of its funding for operating costs. In FY1999-2000, $975,000 was appropriated for this purpose. Additionally, space and utility costs are contributed by the Unified Court System. The centers are operated by not-for-profit community-based agencies, which are required to contribute 40 percent of costs in-kind.

SERVICES FUNDED

The centers provide drop-in child care for children, newborn to age 12, and a site to connect families with vital services in 26 courts across New York State. Most centers are based in family courts; a few are based in criminal court and civil and housing courts.

HOW FUNDS DISTRIBUTED

OCFS transfers start-up funds to OCA. OCA initially selects the not-for-profit agencies that operate the centers on the basis of a Request for Proposals. Start-up and operating funds are distributed to selected agencies on a quarterly basis. Agencies renew contracts with the Unified Court System annually. In addition to start-up and operating subsidies, community-based agencies such as Head Start offer a range of in-kind services.

POPULATION SERVED

In calendar year 1998, 47,000 children were served in 22 centers in the state. Attendance at the centers is not based on income eligibility, and no fees are charged. However, most children who attend the centers are from low-income families.

STRATEGIC CONSIDERATIONS

- The centers were established because of strong leadership from Chief Judge Judith Kaye, who learned about the need while conducting hearings and research for the Permanent Judicial Commission on Justice for Children. The commission, established under court rules, continues to oversee the network. At present, all new and renovated court buildings are required to allocate space for a children's center.
- The partnership among the Office of Children and Family Services (the agency responsible for administering child care subsidy funds), the New York State Office of Court Administration and local agencies such as Head Start makes this a very powerful venture. As a result, the partners have been able to explore new strategies for shared funding. In some areas, the court child care center is located near the local social services department, which makes it possible for the center to provide drop-in child care for children of welfare recipients when their parents are visiting the social services department.
- Several centers are used as training sites for facilitated enrollment in Child Health Plus (New York's subsidized health insurance plan for children) and Medicaid.
- New partnerships continue to arise. A new literacy project with America Reads and local volunteer groups is just beginning to take shape. Additionally, staff at one of the centers is working on a potential collaboration with the early childhood department of a community college to provide student interns to work in the center.

OTHER SITES WITH SIMILAR STRATEGIES

The District of Columbia supports child care centers in its Superior Court buildings. For more information, contact Sara Lucas at (202) 879 1759. The City of Boston makes funds available for child care centers in the courts. For more information, contact Alice Leary Reitz at (617) 742-8383. Montgomery County, Pennsylvania, also supports a court child care center. For more information, contact Connie Whitson at, (610) 278 3707.

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SUPPORT OUR STUDENTS (SOS) (NORTH CAROLINA)

DESCRIPTION

The mission of the Support Our Students Initiative, or SOS, is to prevent juvenile crime by rallying communities around their young people, helping to steer them away from trouble and into positive, constructive activities. SOS provides middle school youth in North Carolina with after-school programs, offering homework help and enrichment activities.

WHEN ESTABLISHED

SOS was proposed by Governor James B. Hunt (D) and approved by the General Assembly in 1994. The first 52 participating counties received initial funding in 1994.

ANNUAL AMOUNT

In FY1999, SOS was supported by state general funds in the amount of $7.25 million. Since the inception of SOS, more than $5 million in additional cash and in-kind contributions from local civic and community groups, businesses, schools and individuals has been leveraged, as well as more than 100,000 hours of volunteer time.

SERVICES PROVIDED

The program includes academic/homework help and a variety of recreational and cultural activities. SOS recruits community volunteers to provide positive adult role models. Most program activities are free, although there may be a fee charged for some specific activities, such as field trips.

HOW FUNDS DISTRIBUTED

A competitive Request for Proposals (RFP) process was originally used to distribute funding to local partnerships. Should additional funding become available, this process will be repeated. Grant recipients include YMCAs, Boys and Girls Clubs, 4-H Clubs and churches. No specific match is required, although 93 percent of SOS programs received some level of in-kind funding. The amount of funding received by county partnerships varied from $60,000 to $250,000, with the average grant award being $75,000.

POPULATION SERVED

Support Our Students provides after-school programming to more than 13,000 youth in 79 counties at more than 200 sites.

STRATEGIC CONSIDERATIONS

- Support Our Students uses specific performance indicators as a way of measuring success. These include: reduction in absences from school, decreases in out-of-school suspension, increases in overall grade-point averages and reduction in juvenile crime. A formal program evaluation was completed in March, 2000, which indicated that the presence of SOS programs is related to a county's success in improving its young people's well-being, based on improvement in the performance indicators listed above.
- North Carolina holds Blue Ribbon Day annually as a way to recognize the success of students, volunteers and business leaders in the SOS program. The governor presents special awards, which raises community awareness of the initiative and the importance of community participation.
- The program grew rapidly, and a variety of assistance was needed by contractors. As a way to provide this help, a contract was developed with 4-H. This contract funds technical assistance and the development of a training curriculum.

OTHER SITES WITH SIMILAR STRATEGIES

After-school programming includes different emphases and is funded in various ways. This catalog also profiles Hawaii's A+ Program (page 92), New Hampshire's PlusTime (page 77), and California's After School Learning and Safe Neighborhood Partnership Act (page 94).

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YOUTH CRIME PREVENTION AND INTERVENTION (COLORADO)

DESCRIPTION

The Youth Crime Prevention and Intervention (YCPI) grant program makes state funds available to community-based crime and violence prevention or intervention services that target children, youth and their families. At least 20 percent of these funds have been designated for children less than 9 years old.

WHEN ESTABLISHED

YCPI was established in 1994. The 20 percent set-aside for the children's initiatives was established in 1996.

ANNUAL AMOUNT

A total of $8.37 million in state general revenue was appropriated for YCPI in state fiscal year 1999-2000. At least $1.4 million of this (the 20 percent set-aside) was to be spent for children's initiatives.

SERVICES FUNDED

YCPI funds are intended to help expand existing programs or to start new ones. The programs must demonstrate the ability to reduce risk factors for later crime or promote protective interventions. Some examples include efforts that seek to strengthen the bond with parents or other adults, promote healthy belief systems and clear standards of behavior, and improve family literacy and school success. The types of children's initiatives that have been funded include school-age child care start-up grants, a nurse (shared by several early childhood programs) to conduct home visiting, a parent mentoring program, a summer reading program in the public schools and training for staff who work with children who are at risk for later crime or are exposed to violence.

HOW FUNDS DISTRIBUTED

Applications are reviewed by an 11-member board (appointed by the governor and the legislature). Awards are recommended by the board and approved by the governor. The Colorado Department of Local Affairs, Community Partnership Office, administers contracts and monitors compliance.

POPULATION SERVED

The initiative is designed to serve youth and their families, in an effort to reduce crime and violence. There are no income guidelines. Rather, funding requests are expected to compete with one another on the basis of their ability to effectively address risk and protective factors in communities of high need.

STRATEGIC CONSIDERATIONS

- In response to growing juvenile violence, the governor proposed several crime prevention strategies as well as a host of detention strategies. Several key members of the legislature agreed with him and were convinced that early intervention (such as Head Start, school-age child care, parenting initiatives, home visiting and other community service strategies) could make a difference.
- The 20 percent set-aside sends a clear message to child care and early education organizations that they can play an important role in crime prevention, and it encourages them to develop new intervention strategies and community partnerships.
- Colorado has found that securing funds for early education and intervention as a crime prevention strategy is difficult. YCPI is still only a small grants program, and it was established due to the leadership of a few people.
- Data that demonstrate the effectiveness of the strategy are needed. To this end, the state legislature set aside 1 percent of the YCPI appropriation to conduct a longitudinal evaluation of the program.
- The initiative has been very visible in several communities and resulted in a group of teens who are able to speak directly to legislators about the program's effectiveness.

OTHER SITES WITH SIMILAR STRATEGIES

No other programs demonstrating this strategy are known.

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LOCAL GOVERNMENT

BEACONS (NEW YORK, NEW YORK)

DESCRIPTION

Beacons are school-based community centers that provide children, youth and families with activities and programs in the after-school, evening and weekend hours.

WHEN ESTABLISHED

The first ten Beacons were established in 1991 in high-crime, high-drug-use neighborhoods. In 1992, 11 new Beacons targeted neighborhoods with high rates of child neglect and abuse and those with new immigrant populations. In 1993, there were 16 new Beacons, thus assuring at least one Beacon in each New York City school district. In 1996, three more Beacons were added. In 1998 and 1999, 41 Beacons were added, assuring one Beacon in every City Council district, for a total of 81 Beacons.

ANNUAL AMOUNT

The New York City Department of Youth and Community Development (DYCD) is the primary funder of the Beacons, providing $40 million annually in core program support, administration and technical assistance. Each Beacon receives an annual budget of $400,000 from the $40 million. An additional $50,000 is set aside per Beacon that goes directly from DYCD to the Board of Education to assure use of the school buildings during the hours the Beacons are open. Individual Beacons may and do seek other resources from foundations, businesses and government.

SERVICES FUNDED

Beacons are located in neighborhood public schools and operated by nonprofit community organizations. Beacons are open in the after-school, evening and weekend hours. The Beacons have four core elements that guide the service mission: youth development, participation and leadership; parent involvement and family support; educational support and enrichment, and community building. Youth development, participation and leadership activities include arts, sports and cultural programs; computer classes; job readiness and employment/college preparation assistance; volunteer and paid employment opportunities for youth, and youth council and peer education programs. Parent involvement and family support program examples include GED, ESL and computer classes, parent education and family support groups; parent councils; recreation and sports, immigrant services, intergenerational and cultural programming, and, at selected Beacons, services to families whose children are at high-risk of foster-care placement. Educational support and enrichment activities may be found in tutoring, homework assistance, SAT preparation, computer and writing courses. Thematic education is incorporated throughout the activities. The community building mission is achieved by hiring community residents, engaging in community dialogues, problem-solving and advocacy, and establishing a community advisory board for each Beacon. Mini-grant programs and youth-driven community service projects also help realize the community building mission.

In 1999, a coordination framework was developed between the sponsoring government agency, the Department of Youth and Community Development, and the Board of Education, based on principles developed by a working group of individuals and organizations involved with the Beacons. These principles that make up the coordination framework have been written down and signed by Beacon directors and principals, but they do not constitute a legally binding agreement. This framework is meant to help support all the parties involved with the Beacons in their relationship, create a structured dialogue between the Board of Education and DYCD, and provide a forum for examining the role of Board of Education standards, rules and regulations in support of the Beacons.

Technical assistance is provided to the Beacons through the Fund for the City of New York and its Youth Development Institute. The Institute facilitates a peer network of leadership designed to foster and share best practice strategies. Training, on-site consultation and enhancement grants are used by the Institute to facilitate this work. The Institute also works to increase the use of evaluation and assessment data to inform practice, and works with a variety of governmental and nonprofit organizations seeking to improve youth outcomes in the community.

HOW FUNDS DISTRIBUTED

The Department of Youth and Community Development enters into a contract with a community organization for each Beacon. The community organization has administrative and fiscal oversight of the Beacon and is responsible for direct services to Beacon participants, staff hiring and professional development, and program and resource development. The community organizations are selected through a competitive application process. DYCD has ongoing responsibility for fiscal and programmatic monitoring to assure compliance with departmental regulations and contractual obligations. Technical support also is provided by DYCD to help Beacons negotiate the complexities of space agreements, collaborations and subcontracts.

POPULATION SERVED

In FY1998, at 40 Beacons, more than 77,000 children and youth, through age 21, and 36,000 adults were involved. Nearly two-thirds of the participants were children ages 5 to 18, and 50 percent of Beacon participants had at least one family member who also took advantage of the Beacons. Male participation peaked in the 19- to 21-year-old age group and female participation peaked in the 5- to 11-year-old age group and again among the adult female population. Overall, equal numbers of males and females participated.

STRATEGIC CONSIDERATIONS

- As the Beacons have grown from a pilot project to a city-wide initiative, the challenges have changed. Current issues include maintaining an identity as an initiative with a common vision; ensuring that school-community organization relationships can succeed despite different institutional cultures; retaining the identity of the Beacon in each school; recruiting, training and retaining quality staff, and maintaining quality and consistency. Not all of the community organizations responsible for the Beacons have "grown up" with the model, necessitating an ongoing commitment to technical assistance to assure development of a common vision and implementation process.
- Beacons operate within the youth development framework, which emphasizes caring relationships, opportunities for young people to contribute, engaging activities, high expectations and continuity. The youth development framework provides a different paradigm for these programs than does the traditional child care framework. They are provided with ongoing assistance from the Youth Development Institute to ensure that they understand and can implement the youth development framework.
- One example of the use of the youth development framework may be found in the commitment to youth and community involvement. Youth are invited to sit on advisory committees and to assist with program design. Beacons also involve significant volunteer leadership from adults in their communities through advisory boards and other forums.
- Developing good working relationships with school principals and superintendents is an important part of the co-location strategy that is central to the Beacons. Maintaining these relationships is an ongoing challenge. However, in contrast to many of the after-school/extended hours programs developed in schools, the Beacons did not require an initial, strong commitment from principals.
- The Beacons illustrate how leaders from the nonprofit and governmental sectors can combine their ideas and skills to bring a fresh approach to problem-solving. Mayor David Dinkins (D) appointed a well-known civic leader to chair a committee on substance abuse, which included recommendations to create safe havens for New York City youth. Following the release of the report, a youth development expert was named to head the city agency (which eventually became the Department of Youth and Community Development) that was charged with implementation of many of the youth recommendations of the committee. A number of prominent youth development experts associated with the Youth Development Institute (YDI) of the Fund for the City of New York came together to propose the Beacons as a living model of the youth development framework. A partnership was developed between the city and the Youth Development Institute, in which YDI would develop capacity and provide technical assistance to enhance the city's financial investment.
- The role of the initial community organizations was crucial to the early success of the Beacons. The agencies selected demonstrated a strong understanding of youth development principles, a track record of positive service provision and strong roots in the community.
- Positive response to the Beacons at the community level has been high from the beginning. As a result, strong interest also developed quickly from the city's elected officials, resulting in rapid growth prior to evaluation of the model. The original program designers deferred formal evaluation until the Beacons were able to work out the complexity of the model, particularly since it involved multiple partners and organizations working together to implement a youth development framework. A three-year, privately financed formal evaluation is underway, conducted by the Academy for Educational Development and managed by the Youth Development Institute. The initial year of the evaluation focused on implementation and development issues; the final two years are examining outcomes and impact, linking the extent to which the Beacons are practicing youth development with youth outcomes.

OTHER SITES WITH SIMILAR STRATEGIES

The Beacons are being adapted in San Francisco, Savannah, Minneapolis, Oakland and Denver. A federal grant programs, 21st Century Learning Centers, makes competitive funding available to school districts which may elect to work with community partners to set up after-school learning opportunities in schools.

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EDUCARE CENTERS (NEW YORK, NEW YORK)

DESCRIPTION

The New York City Educare Centers are a joint project of the Board of Education and the Agency for Child Development.

Four early childhood care and education centers for children 2 years old through second grade were built in New York City School District 9 (a portion of the Bronx). Funds were drawn from both the New York City Board of Education (NYCBOE) and the Agency for Child Development (ACD), a city agency that administers federal, state and local child care funds.

WHEN ESTABLISHED

The first center was built in 1990. All four were completed by 1997.

ANNUAL AMOUNT

The total cost of the four centers was $62.5 million.

SERVICES FUNDED

The centers provide early care and education to children 2 years old through second grade. Each class is staffed by a certified teacher, as required by New York City child care regulations.

HOW FUNDS DISTRIBUTED

The centers were built and/or renovated by the NYCBOE. Capital costs were jointly funded. NYCBOE funds the ongoing operating costs for kindergarten through second grade. ACD funds operating costs for children between the ages of 2 and 5.

POPULATION SERVED

Children who reside in four specified low-income catchment areas are served. In FY1998, 1,019 children were served in the four schools.

STRATEGIC CONSIDERATIONS

- This partnership was possible because both the Agency for Child Development (which administers city tax levy funds for child care as well as state and federal child care subsidies) and the NYCBOE had funding available for capital construction. Both entities also had funds that they could commit to subsidizing the ongoing cost of operating the Educare Centers.
- This project was initiated because the NYCBOE needed to build several new classrooms in District 9 and had limited capital funds. The board learned that ACD was interested in expanding child care in the area and suggested a joint project. On its own, the

board could only have built or renovated three schools. ACD also had limited capital funds. By working together, they were able to build four early care and education centers.

- Building the first center was difficult. Many agreements had to be negotiated to meet the facility requirements of two city agencies. However, after the first center, the agencies had a prototype design and set of agreements, making future collaboration much easier.
- At present the NYCBOE and ACD are exploring the feasibility of collaborating on similar projects in Manhattan.

OTHER SITES WITH SIMILAR STRATEGIES

No other programs demonstrating this strategy are known.

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FAIRFAX COUNTY SCHOOL-AGE CHILD CARE CAPITAL IMPROVEMENT PROGRAM (FAIRFAX COUNTY, VIRGINIA)

DESCRIPTION

Fairfax County has taken steps to ensure that every new school, and every newly renovated school building, includes designated space for a school-age child care (SACC) program. Capital funds are made available by the sale of general obligation bonds for school construction. County funds are awarded to the school system each year to help support overhead and operating expenses in the SACC centers.

WHEN ESTABLISHED

In FY1989 the County Board of Supervisors made a commitment to include a SACC center in every new school. The capital strategy to help implement this commitment had already been developed in July 1987.

ANNUAL AMOUNT

To date, the county has built or renovated space for 123 SACC centers in 85 schools. Debt service is paid from the County General Fund. The county's SACC operating budget for FY2000 was approximately $20 million (with $15 million recovered by parent fees). An additional $400,000 from the federal Child Care and Development Funds helped to offset the cost of serving eligible low-income children.

SERVICES FUNDED

The program funds school-age child care.

HOW FUNDS DISTRIBUTED

Funds follow policy that was established via a memorandum of agreement between the school district and the county. The school district floats the bonds and builds or renovates the space. The debt is amortized over 20 years. The county runs the SACC programs and, each year, uses general funds to repay a portion of the debt service.

POPULATION SERVED

The SACC program provides before- and after-school programs for more than 70,000 school-age children. Fees are charged on a sliding scale.

STRATEGIC CONSIDERATIONS

- This project represents a joint commitment from both the school system and the county government. The schools are able to piggyback capital funding onto their bond issues.
- The fact that the county and the school district have historically made a joint commitment to SACC ensures

the program's future. It is now a part of the county infrastructure and continues to grow. In FY2000, SACC centers were open at three elementary schools and three existing centers were scheduled to be renovated.

- The capital strategy made a dedicated space a reality. In the past, SACC programs were dependent upon space that was provided by the schools if it was available. Often the space was inappropriate or had to be shared. Now each SACC center has specially designed and designated space.

OTHER SITES WITH SIMILAR STRATEGIES

No other programs demonstrating this strategy are known.

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SAN FRANCISCO COMPENSATION AND RETENTION ENCOURAGES STABILITY (CARES) (SAN FRANCISCO, CALIFORNIA)

DESCRIPTION

San Francisco CARES is a program designed to: 1) reward child care professionals for pursuing education to increase their skills, knowledge and qualifications, and 2) promote retention of skilled staff in regulated child care settings (both centers and family child care). The program has two parts: the Child Development Corps for individuals and Resources for Retention grants for child care programs.

WHEN ESTABLISHED

The program was introduced by Supervisor Mabel Teng (D) and established by the San Francisco Board of Supervisors in July 1999 in budget language appropriating general funds for this purpose. The program was modeled after legislation introduced in January 1999 in the California Legislature, which passed in both houses but was vetoed by Governor Gray Davis (D).

ANNUAL AMOUNT

The FY2000 appropriation was $1.15 million. The allocation was: $750,000 for Child Development Corps stipends (15 percent for Level One stipends and 85 percent for Level Two stipends); $75,000 for retention grants and a maximum of $200,000 for contracted administration of the program. The remaining $125,000 was for evaluation and the city's administrative costs.

SERVICES FUNDED

Child Development Corps stipends are available for individuals and are offered at two levels. Level One stipends of $500 per year are available for any child care worker who has at least six units of early childhood education and/or child development training and continues to work in a single program for at least one year. Family child care providers must remain operational for one year, with children's enrollment verified by contracts and sign-in sheets. To receive the stipend for a second year, the worker must complete three more units of training. To continue for a third year, the worker must complete enough training to qualify as an Associate Teacher within the state's Child Development Permit Matrix and complete a three-unit practicum or supervised fieldwork.

Level Two stipends are available to any child care worker who has training equivalent to the Child Development Permit Matrix requirements for either teacher, master teacher, site supervisor or program director and remains working in one child care program for at least one year and participates in at least 21 hours of approved professional growth activities per year, as defined by the California Commission on Teacher Credentialing. Level Two annual stipends begin at $1,500 for teachers and $2,500 for those holding higher credentials. For those qualified at the level of master teacher and above and who hold a bachelor's degree in child development or a related field, the annual stipend is $5,000. Those with a graduate degree in child development or a related field are eligible for an additional $500 annual stipend. Similarly, a teacher who is fluent in English and another language (including sign language) is eligible for an additional $500 annual stipend. The maximum stipend would be $6,000.

Priority is given to teachers earning less than $15 per hour, master teachers earning less than $18 per hour, site supervisors earning less than $21 per hour and directors earning less than $24 per hour. Part-time staff receive pro-rated stipends.

The Child Development Corps is open to all individuals working in licensed programs in San Francisco, including child care centers, Head Start and family child care. Individuals working in programs sponsored by the San Francisco Unified School District (SFUSD) are eligible, but as a practical matter, few SFUSD employees will receive stipends because their salary levels exceed the priorities set. The Corps meets at least twice a year for professional development and support for participants and to facilitate mentoring relationships among stipend recipients. Financial assistance is available to those who need it for expenses of substitutes, child care and transportation to attend Corps meeting.

Resources for Retention offers quality improvement grants to public and private programs to improve staff retention. Grantee programs develop and implement a staff retention plan that may include benefits such as retirement programs and other compensation improvements. Grantees must agree to participate in Corps meetings and either participate in management training or director mentoring. The maximum amount available for a Resources for Retention grant is $15,000.

The San Francisco Mayor's Office of Children, Youth and their Families (MOCYF) coordinates the CARES program and convenes the Citywide CARES Advisory Committee. The advisory committee makes recommendations about the CARES program.

HOW FUNDS DISTRIBUTED

Child Development Corps Level One stipends are paid upon enrollment in the CARES program if the applicant has been working in a program for one year. Level Two stipends are paid in two parts: $500 on enrollment and the balance at the end of the year. MOCYF contracts with a nonprofit agency, Wu Yee Children's Services, to administer the funds. Information is available in three languages: English, Chinese and Spanish.

POPULATION SERVED

Any person working in a licensed child care program in San Francisco who meets minimum qualifications and pursues additional professional training is eligible for the Corps and stipends. Any licensed program is eligible for Resources for Retention grants.

STRATEGIC CONSIDERATIONS

- The CARES approach addresses compensation directly and links compensation to retention. Retaining skilled staff in child care and early education programs requires strategies and investment in two areas: training and education to develop the skilled staff and compensation sufficient to retain the skilled staff. Investment in training and education is made to some degree in every state, but investment in compensation is not nearly as common. Both are needed.
- The CARES approach addresses program quality in two ways: stipends reward continuing education (to improve skills), and at least one year of service is required (to reduce turnover).
- An approach that rewards only individuals may not provide sufficient incentive for programs (employers) to improve compensation. CARES addresses this concern in two ways: grants offer a direct incentive to programs to address compensation, and programs must agree not to reduce wages for any individuals who receive stipends.
- Outreach about the program that directly reaches line staff—teachers and aides—will be critical to maximizing the use of these funds and securing them in future. Contacting staff directly, not solely through program directors, is essential.
- Legislated initiatives with specific funding requirements may be more durable than annual appropriations. A coalition of San Francisco child care advocates worked together to educate the Board of Supervisors and advocated successfully for the CARES program. CARES is an annual budget appropriation and will require advocacy each year.
- Successful administration of a program like CARES requires knowledge of early care and the education field, the capacity to manage funds and conduct outreach, the absence of conflicts of interest with beneficiaries and strong administrative capability.
- Tracking and evaluation must be built into the initiative to determine whether the approach works, especially regarding retention. An evaluation that directly measures the effects of CARES on program quality would be ideal, but it would be expensive.

OTHER SITES WITH SIMILAR STRATEGIES

King County, Washington, has approved an ordinance to augment child care employee wages in the City of Seattle, and is considered likely to allocate $300,000 for this purpose.

Illinois recently enacted a wage supplementation bill called "Great Start" and allocated $3 million of its federal Child Care and Development Fund for the initiative. For information, contact Elissa Bassler at the Day Care Action Council (773) 769 8020 or elissa@daycareaction.org.

Salary enhancement legislation passed in New York in 2000 and was funded at $40 million. For more information, contact Agnes Zellin at the New York State Child Care Coordinating Council at (518) 463 8663 or e-mail: agnes@nyscccc.org.

North Carolina sponsors the WAGE$™ initiative. (See the profile on page 66.)

Nassau County, New York, has operated a salary enhancement grants program for approximately 19 years.

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WORKING PARENTS ASSISTANCE PROGRAM AND TRUST FUND (MONTGOMERY COUNTY, MARYLAND)

DESCRIPTION

Montgomery County, Maryland, has established a subsidized child care program, the Working Parents Assistance Program, and a public-private fund, the Working Parents Trust Fund. The trust fund is a volunteer-run fund that raises money from individuals, foundations and businesses to extend the number of families served by the Working Parents Assistance Program. One-hundred percent of the funds are invested in child care.

WHEN ESTABLISHED

The Working Parents Assistance Program was established in 1986 and the trust fund was established in 1995 in response to a waiting list of 2,600 children.

ANNUAL AMOUNT

The Working Parents Assistance Program budget for FY 2000 was $3.5 million and was derived from the Montgomery County general fund.

The trust fund has provided a total of nearly $200,000 in private contributions from individuals, foundations and businesses to aid the Working Parents Assistance Program since it was established in 1995. During 1999 the trust fund raised $43,000. Since the trust fund was established, contributions have ranged from small, individual gifts ($10 and under) up to $20,000.

SERVICES FUNDED

Through the Working Parents Assistance Program, eligible parents are provided with child care subsidies so parents can maintain employment or attend school or training. Participating families must select licensed or registered child care in Montgomery County. The program provides individual counseling to participating families, assists single parent families to secure child support from absent parents and annually reassesses its financial assistance levels based on the costs of living and child care in Montgomery County.

HOW FUNDS DISTRIBUTED

The Working Parents Assistance Program requires parents to make an application. The Montgomery County child care subsidy program has established a single phone number that families can call to find out if they qualify for the Working Parents Assistance Program or the state's subsidized child care program, known as Purchase of Care. After the telephone screening, the parent must meet with a Family Services Worker from the Working Parents Assistance Program to complete eligibility requirements. The program provides participating parents with vouchers used to purchase licensed and registered child care.

The trust fund transfers all of its contribution to the Working Parents Assistance Program.

POPULATION SERVED

The Working Parents Assistance Program is available to parents who are working 35 or more hours each week. Parents must have children age 14 or under, work or attend school and must, if a single parent, pursue child support through the court system. Family income cannot exceed $35,000 annually. Each year nearly 1,300 families are served.

STRATEGIC CONSIDERATIONS

- The Working Parents Assistance Program was established by county government because the state–sponsored subsidized child care program did not meet the needs of working families in Montgomery County. Montgomery is one of the more affluent counties in Maryland and has high child care costs. Working parents often had incomes that surpassed the limits set by the state, and the state's payment rates to the providers were substantially below the cost of child care. Initially, the county opted to supplement the state's subsidized child care program, Purchase of Care. This did not prove to be a successful approach because the state's rigid rules were applied across the board. The Working Parents Assistance Program was established as a separate child care subsidy program at the county level with the goal of helping families achieve greater self–sufficiency.
- The program has been designed to promote efficiency by careful definition of eligibility for the Working Parents Assistance Progam and the state's subsidy program. Parents do not have the option of choosing between them. Parents who have lower earnings or who work fewer hours must participate in the state's Purchase of Care program.
- The county's eligibility rules grew out of the unique circumstances in the county and the desire to foster family self–sufficiency. Parents must show that they need child care for at least 35 hours a week, due to either education or employment, and single parents must pursue child support.
- The trust fund was started in response to a long county–level waiting list for subsidized child care. Until recently, the trust fund was promoted by a volunteer, who is credited with raising most of the private funds, increasing the visibility of the subsidy program and drawing attention to the tremendous demand, as shown by the waiting list. In part due to her efforts, the county decided to make a major increase in the allocation of the program, expanding it from $2.4 million to $3.5 million.
- Staff from the county–funded Working Parents Assistance Program and the state–funded Purchase of Care program are co–located at county governmental offices. The co–location allows the two programs to offer a single phone number for determining which program is appropriate for the family. The co–location is not a complete solution. If a parent inadvertently applies to the incorrect program, that parent will have to start over again and apply to the other program. Over time, the Working Parents Assistance Program would like to apply its broader income eligibility guidelines to the state's Purchase of Care program and operate them as a single program.

OTHER SITES WITH SIMILAR STRATEGIES

Austin, Texas; New York City, and Seattle, Washington, are among the localities that use local tax revenues to subsidize child care for families above state-determined income eligibility levels.

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UNIONS
118 New York State Labor-Management Child Care Advisory Committee Enrichment Grants (New York)
119 The 1199/Employer Child Care Fund (New York City)

PHILANTHROPY
121 Allegheny County Early Childhood Initiative (Allegheny County, Pennsylvania)
124 Child Care Matters: A Quality Child Care Initiative of Southeastern Pennsylvania (Philadelphia, Chester, Delaware and Montgomery Counties, Pennsylvania)
127 Dekko Foundation Child Care Endowment Funds (Indiana)
128 Child Care Scholarship Fund of the Marin Community Foundation (Marin County, California)
130 Fern Webster Professional Development Fund (Kansas City Metropolitan Region, Kansas and Missouri)
131 Focus on Our Future: A Child Care Initiative of York County (York County, Pennsylvania)
133 Kansas City Accreditation Plan: Accreditation Project and Child Care Accreditation Initiative Grant Program (Kansas City Metropolitan Area, Kansas and Missouri)
136 Model Centers Initiative of the Miriam and Peter Haas Fund (San Francisco, California)

FINANCING CHILD CARE IN THE PRIVATE SECTOR

This section provides examples of private-sector funders — employers, unions and philanthropic entities (including corporations and foundations) — that have identified child care finance as a funding priority. The participants vary widely in terms of size and the kinds of resources available to them. The specific strategies and services involved also differ. But in each case, solutions have been devised to meet common needs expressed by group members, constituencies and communities.

EMPLOYERS

Employers increasingly recognize the benefits of assisting their employees with life/work issues and the positive effects that family-friendly policies have on the bottom line. This section provides examples of corporations that have chosen to provide their employees with this type of assistance.

Some employers independently provide such services for their own employees. The AT&T Family Care Development Fund, profiled here, helps to meet the family needs of AT&T employees, with a focus on children and elderly relatives. Within the area of child care, both increasing capacity and improving quality are supported. Grant-making decisions include the participation of a union-management committee and a management review committee.

Other employers work together, collaborating to provide these kinds of services. The American Business Collaboration for Quality Dependent Care, a nationwide initiative, is highlighted here. A local approach of this kind, the Austin Area Employer's Collaborative on Dependent Care Initiatives in Austin, Texas, is profiled on page 140, in Chapter 4, since its funding base includes a significant contribution from the public sector.

Additionally, many employers have established dependent care assistance plans. These help to reduce the cost of child care by reducing employees' tax burden (see Tax Credits, Deductions and Exemptions, on page xxx for a further discussion of this strategy). Others have expanded the availability of flexible work arrangements such as flextime, part-time, job sharing and telecommuting. The use of Temporary Disability Insurance (TDI) discussed on page 142 and of Unemployment Insurance (UI), covered in Chapter 5, "Looking to the Future," are other strategies that can benefit both employer (by promoting increased worker retention and loyalty) and employee (by providing time to manage work and family transitions).

UNIONS

Collectively bargained labor/management child care funds also have been an effective way to help employees pay for child care. Two initiatives of this type are included here. The 1199/Employer Child Care Fund supports seven initiatives, including one on-site child care center, contractual agreements with additional centers, a voucher program and resource and referral services. The Enrichment Grants Program, sponsored by the New York State Labor/Management Child Care Advisory Committee, supports a network of 50 work-site child care centers for the children of state employees.

PHILANTHROPY

Child care is a local issue in many respects. Many communities are engaged in planning for child care, and nearly all encounter financing issues in the process. Throughout the country, foundations and other philanthropies have taken the lead on helping communities define their child care funding challenges and search for methods to meet them. The profiles included here represent a variety of approaches.

[illegible] Carlos, a community, civic and child [illegible] developed a plan to help families pay for child [illegible] through a scholarship fund. In San Francisco, a [illegible] devoting the majority of its resources to [illegible] care in the city and focuses significant [illegible] child care centers. In Indiana, [illegible] Foundation has partnered with community [illegible] counties to build endowment funds. [illegible] of the income from the funds is used to [illegible] improved program quality.

[illegible] Kansas City have two different [illegible] to funding that supports community-wide [illegible] profiles illustrate [illegible] in which one agency is funded [illegible] funds the collaborating [illegible] supporting the overall plan. In [illegible] business leaders, [illegible] representatives and other [illegible] to establish a unified system of [illegible] education. This unified system [illegible] communities in Allegheny [illegible] Pittsburgh [illegible] affordable, high-quality programs available. In the Southeastern Region of Pennsylvania, which includes the City of Philadelphia, Child Care Matters, a partnership of five agencies, works directly with more than 100 child care homes and centers. In addition, it seeks greater business engagement on child care issues, targets improved media coverage of child care issues and works toward improved public policy and financing for child care within state and city government. And in York County, Focus on Our Future's Commission oversees planning, funding and implementation, including efforts to improve program quality and the overall financing of the entire child care system.

Kansas City provides an example of a model in which various partner agencies are funded separately to carry out the jointly agreed upon tasks of improving child care quality and availability. The [illegible] Webster Early Childhood Professional Development Fund and the Kansas Accreditation Plan are two of a series of community initiatives in the Kansas City Metropolitan Area designed to achieve local goals for improving child care quality. They are both profiled here.

EMPLOYERS

AT&T FAMILY CARE DEVELOPMENT FUND (MULTISTATE)

DESCRIPTION

The AT&T Family Care Development Fund has four components to help meet the family needs of its employees, including their child care needs. These four elements include a grants program for child care and other family-related programs, the Target Cities Initiative, a national strategic innovation program and participation in the American Business Collaboration for Quality Dependent Care.

WHEN ESTABLISHED

The Development Fund was established in 1990.

ANNUAL AMOUNT

The Development Fund's budget is $13.5 million for the four-year period from 1999 to 2002.

SERVICES FUNDED

The Development Fund is designed to meet the family needs of AT&T's employees, with a focus on children and elderly relatives. A five-part program was established in the start-up phase for the Development Fund, from 1990 to 1992, which continues to provide the framework for service delivery. In the child care area, priority is given to services that increase the capacity or improve the quality of child care. Since the inception of the Fund, AT&T has helped to increase child care capacity by 3,000 slots annually and has improved quality for about 400 programs annually. Child care is broadly defined and includes services to very young children through summer jobs for teenagers.

A competitive grants program seeks to improve child care quality and capacity. Upon the recommendation of an AT&T employee that is involved with the program, a child care program can apply to one of three grant pools: 1) a full-grant pool, which provides grants of $5,000 to $40,000 to address capacity or quality in programs that will serve a significant number of AT&T families; 2) a mini-center grant program, which provides quality grants for up to $3,000 for child care centers that enroll at least one AT&T family, and 3) a family child care grant program, which provides up to $350 for an individual provider serving an AT&T family.

The Target Cities Initiative operates in selected AT&T communities. A local community assessment is conducted to identify AT&T family needs in the community, a plan is developed and a Request for Proposals (RFP) is used to identify appropriate service agencies in the communities. Since the inception of the Target Cities Initiative, a total of 17 communities have participated. Participation generally lasts for two to three years, and there is no set time limit.

One component of the national strategic innovation program focuses on expanding the opportunities that caregivers have for professional development. A national scholarship program is at the heart of this program, providing AT&T employees with an opportunity to nominate their child care or elder care programs for scholarships to attend seminars and conferences that will enhance their learning and professional practice.

AT&T was a founding member of the American Business Collaboration for Quality Dependent Care (ABC), whose work is profiled on page 116.

HOW FUNDS DISTRIBUTED

AT&T has established a Family Care Development Fund Office, which is staffed by three professionals. This office is responsible for providing information to AT&T employees about the various programs of the Family Care Development Fund so that they may participate directly (i.e. Family Resource Program) or refer eligible programs to participate (i.e. the Grants Program). The fund uses contracts to stress the fact that this work is a component of the business operation (in contrast to the philanthropic giving) of AT&T. Oversight for decision-making for the Grants Program and the Target Cities Initiative rests with two committees, a union-management committee and a management review committee. These two committees review the proposals and staff analysis and make the funding decisions.

POPULATION SERVED

Participation in the projects of the Family Care Development Fund is restricted to programs serving the employees of AT&T.

STRATEGIC CONSIDERATIONS

- AT&T has had more than a decade of experience with the fund, and indicates that there are three core principles that have guided the program and helped it to achieve a high degree of success and acceptance by employees and management alike: 1) all of the programs and strategies of the Family Care Development Fund must yield a direct benefit for AT&T employees, 2) the services are accessible to 100 percent of the employees. The Family Resource Program, for example, can be used by anyone. Likewise, any AT&T employee may recommend that the grant program fund the child care program that they themselves use and 3) the fund has developed a wide variety of methods of listening and responding to employee needs across all of its programming and has been willing to modify existing efforts based on employee feedback. The fund considers its responsiveness to employees to be integral to its mission and believes that the corporation benefits from this approach.

- A Family Resource Program is operated out of a separate division at AT&T and is seen as part of the backbone of the Fund. Through the Family Resource Program, AT&T employees are provided with information on a variety of family needs. Child care information and referral was one of the earliest components developed (1990). In response to employee interest and concern, the other components of the Family Resource Program include elder care, education, adults with disabilities, adoption consultation and wellness. Employee inquiries at the Family Resource Program are used to inform the planning and implementation of activities at the Fund.

OTHER SITES WITH SIMILAR STRATEGIES

AT&T is joined by other businesses around the nation that have developed programs to help employees meet their family needs.

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AMERICAN BUSINESS COLLABORATION FOR QUALITY DEPENDENT CARE (MULTISTATE)

DESCRIPTION

The American Business Collaboration for Quality Dependent Care (ABC) is a business strategy intended to increase the supply and quality of dependent care services in the United States. The ABC was formed in response to key labor force changes brought about by the increasing number of women and dual-earner families in the labor force and the increasing caregiving responsibilities of employees. Twenty-one major U.S. national and international corporations, called the "Champions," form the core of the collaboration. The collaboration also includes more than 100 regional and local businesses that partner with the Champions in specific initiatives.

WHEN ESTABLISHED

The ABC was formed in the fall of 1992. Phase II was launched in the fall of 1995, with a funding commitment through the year 2000.

ANNUAL AMOUNT

From 1992 through 1994, ABC invested more than $27 million in a range of child and elder care services and programs. From 1995 through 2000, the ABC has committed to investing an additional $100 million in targeted communities around the country.

At the end of Phase I, approximately 50 percent of ABC funds were expended in support of early childhood projects. The remaining funds supported school-age care (38 percent) and elder care (12 percent). The plan for Phase II has continued the community needs-driven approach used in Phase I. Thus, no targeted allocation among the three areas was made up front. Funding for school-age, infant/toddler and elder care programs has increased in Phase II.

SERVICES FUNDED

Child care centers, family child care and school-age care services and improvements have all been funded. Existing community services in a target area have received support to increase the quality of their programs, while many new services have been developed.

ABC funds are for start-up expenses, not the ongoing expenses of operating a program (e.g., fee subsidies). These funds are for one-time efforts that expand or improve services, such as facility construction or renovation to accommodate a program for infants and toddlers, a center-wide staff development program, mini-grants for equipment and achieving accreditation, and the direct costs of accreditation. The expectation is that this seed money will attract local public funding to sustain a program's ongoing operations, as well as fees and other sources of revenue.

During Phase II, greater emphasis has been placed on quality improvement, developing services that meet the specific needs of working parents such as extended hours and flexible policies in child care centers. Projects also have focused on services for school–age children, such as providing before– and after–school programs and developing curriculum that meets the needs of school–age children and youth.

An additional strategy is being used in Phase II of ABC, called "Championship Models," which are intended to be research and development projects that can test innovative solutions that are national in scope and can be adapted widely. There are five kinds of ABC Championship Models being developed, including models of backup care and programming for middle school youth. Additionally, ABC has been involved in school–age child care accreditation, developing family child care training curricula and director credentialing.

HOW FUNDS DISTRIBUTED

The ABC is managed by WFD Inc., a management consulting firm in Boston, Massachusetts, that helps companies redefine the workplace for employees. The process for developing ABC–funded community–based strategies begins with an employee demand assessment focused on employees in a company (or companies) in a specific geographic area and a supply assessment focused on the same area. The resulting gap analysis leads to recommendations for projects and programs to fill the gap between demand and supply. WFD then issues an RFP (request for proposals) to potential community vendors. The RFP is tailored to the selected approaches and clarifies employee needs that must be addressed. Proposals that are accepted by ABC clients are funded through contracts with WFD. Projects also may be funded through a "special opportunity" — an existing project or initiative that is aligned with identified employee needs and in which ABC can become a funding partner.

POPULATION SERVED

ABC initiatives are targeted specifically at the needs of their employees in a particular geographic area. Typically, the needs of ABC employees determine the types of service improvements, expansions or development that occur in a community. During Phase I, 45 communities in 25 states and the District of Columbia were involved in ABC–funded initiatives. In Phase II, 68 communities have participated in ABC–funded programs.

STRATEGIC CONSIDERATIONS

- Business acts in response to bottom–line business concerns. The Champion companies, in their 1995 joint statement launching Phase II, said: "We believe that supporting the diverse dependent care needs of our employees is critical to our success as it enables our companies to attract and retain a productive, competitive, committed and motivated work force." ABC funds are business dollars, not charitable dollars, and must demonstrate a direct link between projects funded and company productivity.
- The ABC concentrates on expanding and improving the supply of dependent care. Corporate support for the ongoing cost of child care for employees is expressed through company–sponsored dependent care assistance plans (DCAPs) and the provision of other services, such as resource and referral programs. (Bank of America's DCAP is profiled on page 39.)
- Businesses frequently use partners, such as WFD, to manage their employee work/life benefits. Both parties in these partnerships may experience some tension as they assess need and propose solutions.
- The Champions believe: "By working together, we can do more to meet the needs of our employees than if we worked alone." Significant effort was required to create and maintain the collaboration among leading national corporations.
- Community–level models that emulate and link with ABC are an effective strategy for child care improvement and expansion in areas with concentrations of corporations. For example, Houston has created such a model (Corporate H.A.N.D.S.). In areas with one major employer a single–company strategy can be effective.

OTHER SITES WITH SIMILAR STRATEGIES

ABC offers opportunities for local and regional employers to join the collaboration to work on solutions in their communities. Another example of a local employer collaborative, the Austin Area Employer's Collaborative, is profiled on page 140.

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UNIONS

NYSLMCCAC ENRICHMENT GRANTS PROGRAM (NEW YORK)

DESCRIPTION

The New York State Labor/Management Child Care Advisory Committee (the Committee) has established, and continues to support, a network of 50 work-site child care centers for children of state employees. In addition, several other programs have been developed to assist state employees with work/life concerns.

WHEN ESTABLISHED

The Committee was established, and began to provide start-up grants and technical assistance, in 1981. In 1986, support from the Committee was expanded to include health and safety grants. In 1989, the health-and-safety-grant concept was broadened to include staff development and other operating costs, and it was renamed the Enrichment Grants program.

ANNUAL AMOUNT

In the 1997-98 state fiscal year, $1.65 million was expended for the Enrichment Grants program and $296,221 for separate Health and Safety Grants; in 1998-99, $1.73 million was expended for the Enrichment Grants program. These funds, and others overseen by the Committee, are set aside as part of the collective bargaining process with the following unions: Civil Service Employees Association (CSEA), Public Employees Federation (PEF), United University Professions (UUP), Council 82, District Council 37 and the Graduate Student Employees Union. The Governor's Office of Employee Relations also contributes on behalf of management/confidential employees.

SERVICES FUNDED

The grants may be used for the following: staff salaries (with some restrictions) and benefits, staff development, health and safety projects, professional services (such as bookkeeping and legal assistance), supplies, equipment, non-routine maintenance, liability insurance, advertising, food and occasional labor. In addition to providing technical assistance and start-up grants, the Committee has established an Enrichment Grants program to enable the centers to address program quality issues and maintain affordable fees for employee parents.

HOW FUNDS DISTRIBUTED

Funds are distributed through contracts between each center and the Governor's Office of Employee Relations (which staffs the Committee.) The centers are required to submit an expenditure plan for the total grant amount, a staffing plan, a list of board members, a year-end audit, the board's response to the audit management letter and certification of grant expenditures. Additionally, all network centers must establish a sliding fee scale. Grant funds are distributed to the centers based on a formula that takes into consideration the number of state employees' children enrolled and the percentage of low-income parents served. Centers that receive accreditation from the National Academy of Early Childhood Programs receive a one-time additional $5,000 in their operating grants.

POPULATION SERVED

Network centers primarily serve children of state employees, although they may serve the larger community as well, and many do. Rather than requiring the centers to serve a specific percentage of state employees, the Committee expects the centers to give priority to children of state employees and to establish a sliding fee scale for these employees.

STRATEGIC CONSIDERATIONS

- During the years that it helped to establish a network of work-site child care centers, the Committee learned first-hand that child care was critically under-funded. It became clear to the Committee that in order for the centers to keep parent fees affordable and maintain high-quality standards, operating support in addition to parent fees was necessary.
- New York State's network of work-site child care centers is a visible, tangible response to employees' needs for high-quality child care. Several of the centers provide care during odd hours (for example, for children of shift workers at state mental health and correctional facilities). Many provide before- and after-school programs as well as holiday programs and summer camps. Employees are pleased with the centers. The state benefits from improved morale and productivity and decreased absenteeism.
- Funding for New York's work-site child care centers comes from the collective bargaining agreements with six public employee unions. Currently, the state has reached agreement with one union (UUP), while the other five collective bargaining agreements have expired. There are no funds available for the Enrichment Grant Program, pending the outcome of negotiations.
- Many state employees are not able to benefit from the work-site centers. Many centers have waiting lists, and services for infants and toddlers are extremely limited. The Committee has attempted to address this concern by developing a number of related programs, including: enhanced resource and referral services; a Work and Family Initiatives Fund, which makes small grants available to local labor/management committees for

projects or services designed to address local identified needs, and a Dependent Care Advantage Account Program. The agreement with UUP provides a direct employer contribution of $200 to the Dependent Care Advantage Accounts of eligible employees.

OTHER SITES WITH SIMILAR STRATEGIES

Twenty-six states have at least one work-site child care center for state employees. Most of these states made funds available for facility renovation and other start-up costs. Many of these states provide the centers with free rent, utilities and maintenance services, but none provides operating assistance similar to the Enrichment Grants program described here.

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THE 1199/EMPLOYER CHILD CARE FUND (NEW YORK CITY)

DESCRIPTION

The 1199/Employer Child Care Fund includes contributions, set aside as part of the collective bargaining process, from 147 employers. The funds are used to help meet the child care needs of employees who are members of Local 1199, the National Health and Human Services Employees Union.

WHEN ESTABLISHED

The fund began in 1992 with contributions from 16 hospitals and nursing homes.

ANNUAL AMOUNT

A total of $8.6 million was contributed in 1999.

SERVICES FUNDED

The fund supports seven initiatives, which include: one on-site center and contracts with community-based child care centers; vouchers that reimburse up to $75 per week for child care provided in a wide range of formal and informal child care settings; contracts with more than 100 summer camps in the metropolitan area; contracts with programs offering care during school holidays; child care resource and referral services; and a weekend cultural arts program for children and teens interested in dance, music, art, theater, tutoring, SAT/PSAT preparation and physical education; and a college preparation program called Work Force 2000.

HOW FUNDS DISTRIBUTED

A board of trustees (13 union representatives and 13 management representatives) establishes broad policy guidelines for the fund. One hundred and twenty local child care committees, located at work-sites, conduct needs assessments, analyze and allocate the child care budget, promote child care programs, serve as liaisons to the fund, assist with program registrations and recommend child care programs to the fund staff.

POPULATION SERVED

Children (from infancy to age 17) of 1199 members.

STRATEGIC CONSIDERATIONS

The 1199/Employer Child Care Fund was established to increase 1199 members' access to high-quality, affordable child care services and information. Eighty percent of 1199 members are women.

- Establishing the fund under the umbrella of Local 1199 allows the resources of many employers to be combined. A total of 147 employers participate.

- The initiative serves children of all ages and has a mix of approaches and payment methods to meet diverse family needs.
- Local work-site child care committees play a pivotal role in identifying needs, approving fund allocation and developing new programs.

OTHER SITES WITH SIMILAR STRATEGIES

The New York State Joint Labor/Management Child Care Advisory Committee is a child care fund established by several public employees unions, but it is not as large or as diverse as the 1199 fund.

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PHILANTHROPY

ALLEGHENY COUNTY EARLY CHILDHOOD INITIATIVE (PITTSBURGH, PENNSYLVANIA)

DESCRIPTION

The Allegheny County Early Childhood Initiative (ECI) is a public–private partnership designed to enroll low–income children from birth to age five in high quality, early care and education services.

WHEN ESTABLISHED

In 1994, the United Way of Allegheny County responded to a $1 million challenge grant from the Heinz Endowments to develop a plan for a community–wide initiative to address the challenges faced by young low–income children. A diverse group of business leaders, professionals, community representatives and other concerned individuals planned the effort, which resulted in approval of the ECI business plan and initiative in 1996.

ANNUAL AMOUNT

As of October 1999, $36 million in grants and pledges had been committed to ECI, including $1.8 million in public funds ($1 million from the federal Department of Housing and Urban Development, $750,000 from the Pennsylvania Department of Public Welfare and $50,000 from the County of Allegheny).

SERVICES FUNDED

ECI funds are used to support early childhood education provided in child care centers, family child care homes and Head Start programs– approximately 80% in centers and 20% in homes. The programs must be proposed by the neighborhood, and the programs selected must meet ECI's quality assurance standards, which meet or exceed the accreditation standards of the National Association for the Education of Young Children and the National Association of Family Child Care. Programs begin the national accreditation process after their first year of operation and are expected to achieve accreditation after three years. ECI funds can be used for the costs related to achieving accreditation, as well as for the cost of building and/or renovating facilities, staff training, and technical assistance to neighborhoods. In addition, ECI funds a management information system, staff salaries for management staff based at the United Way, and evaluation activities. ECI funds support staff in lead agencies in participating neighborhoods who have roles including monitoring quality, conducting community outreach and encouraging parent involvement; a percentage of the administrative costs of each lead agency are funded.

HOW FUNDS DISTRIBUTED

Target neighborhoods were invited to apply for ECI funding through a Request for Neighborhood Participation (RFNP). ECI management developed the RFNP and offered technical assistance to neighborhoods in the planning and application process. Each neighborhood planning coalition selected programs to be part of the ECI. If no programs existed in the neighborhood or the existing programs were rejected, neighborhoods could apply to begin new programming. Each neighborhood planning team, a subset of the neighborhood coalition, chose a Lead Agency to act on behalf of their community. ECI funds are distributed to neighborhoods via contracts between Lead Agencies and the United Way. The neighborhood team continues to be involved in an advisory role to the Lead Agency. Neighborhood coalitions are broadly representative of the community's interest in early care and education. Each neighborhood was required to survey and involve parents, and to invite participation from all regulated child care facilities, family support centers, Healthy Start programs, Head Start and any other known early childhood effort in their area.

POPULATION SERVED

Low–income children under age five who live in a target neighborhood with an approved ECI plan are eligible. ECI's target neighborhoods are considered to be "at–risk." Such a neighborhood is defined as a census tract that meets at least three of the five "Kids Count" risk criteria. These risk criteria include: poverty rate, and percentage of female–headed households, high school dropouts, unemployed males, and families receiving public assistance. Parents of eligible children contact the Lead Agency for their neighborhood and then choose among programs under the Lead Agency's umbrella. Parents must agree to participate in parent education activities to the extent possible considering their work status, to pay a fee, to participate in the evaluation of ECI, and to apply for state child care subsidy or any other public funds for which they may be eligible.

As of 2000, ECI has reached 38 neighborhoods working through 11 Lead Agencies. 1,100 children have been served, counting both children who are currently enrolled and those who were enrolled in an ECI program for at least one year, and then moved on to kindergarten and first grade.

The original goal was to ensure that 7,600 children in up to 80 low–income neighborhoods would receive high–quality early childhood care and education by 2001, nearly doubling the number of children served in regulated settings in Allegheny County and the city of Pittsburgh.

STRATEGIC CONSIDERATIONS

- ECI was conceived by an 80-member group of business leaders, professionals, community representatives and concerned individuals. The scope and diversity of this group were crucial to obtaining broad support to begin the initiative. A business plan for the initiative was prepared with pro bono help from Ernst & Young and McKinsey & Company, two nationally recognized accounting and management consulting firms. These firms helped to quantify essential aspects of the project and to describe the initiative in terms that were meaningful to the business community. The business plan was key to gaining approval from the United Way board to proceed with the project.
- The original 1996 ECI business plan estimated that 70 percent of the children would need part-day services, 3 hours per day, year-round. The five-year cost was estimated at $59 million. The United Way of Allegheny County committed to raising $50-55 million from the private sector to support the initiative during the first five years. Interest, parent fees and special government grants were expected to bring the total to $59 million. The original plan anticipated that public-sector support through state budget allocations would occur by 2002 to sustain the operating system. It was understood that some private funds would continue to be needed for those children ineligible for any public funding source, and to achieve and maintain high quality in ECI programs.
- The ECI business plan was revised in 1998 and again in the fall of 1999. The original plan included a major review and decision-point at year three (1999) or after 1,500 children were enrolled. At that point, the initiative was to be judged on projected sustainability at year six (2002). Indicators of potential sustainability included increases in subsidy funds and specific dollars directed to quality programming in the State of Pennsylvania's annual budget. If the judgment at the decision-point was negative, then the initiative would continue to serve enrolled children until they entered kindergarten, while phasing down. The 1999 review determined that ECI should continue and should move out of the United Way. Negotiations are in process to determine which agency or agencies will lead ECI in the future.
- The passage of Pennsylvania's welfare reform in 1996, and its implementation in 1997, required welfare recipients to be employed within two years of the date that they started receiving cash assistance. This affected ECI's plans and cost estimates. Instead of mainly part-day services, ECI estimated that 90 percent of the children targeted by the initiative needed full-day services, 10 or more hours per day, year-round. The total cost estimate rose to $103 million to serve 7,600 children over five years. The 1999 revised business plan assumed that $48 million in additional public funds were needed and that these would come through the state's child care subsidy system, Child Care Works. All families with children enrolled in an ECI program pay a fee based on their income and family size, either as determined by the state for participation in Child Care Works or by ECI for children not eligible for public subsidies.
- An evaluation of ECI is being conducted by the SPECS (Scaling Progress in Early Childhood Settings) Evaluation Team of Children's Hospital of the University of Pittsburgh. The evaluation focuses on key performance indicators at the child, family, program and community levels and outcomes related to school success. The initial results of the evaluation of ECI are positive. Overall, ECI children are making 1.5 months of developmental gain for each month of program participation. Of the 132 children who have graduated from ECI and moved to the public schools, none has been placed in special education and none have been retained in grade.
- ECI identifies four areas that have been particularly challenging and substantially slowed down the anticipated progress: first, they experienced the struggles that come with start up. After the official launch of ECI, the process of developing the RFNP, drafting contract language, preparing an ECI operations manual, and becoming fully operational took far longer than expected. The number of neighborhoods requesting new or renovated space was much larger than anticipated. Difficulties in neighborhood decision-making and in the process of finding and readying space to meet licensing codes slowed the pace of ECI. New sites took between one and two years to build and another year to reach full enrollment.
- Second, tension between ECI's commitment to neighborhood decision-making and the perception of the early childhood community that it was being excluded from ECI are now being discussed and resolved. Any initiative that seeks to enroll young children in high-quality early education will have to decide whether to improve existing programs, expand them, create new ones, or do some of each. The decision will depend on the match between existing supply and estimated demand, the capacity for expansion, the quality of the existing supply of programs, and the local context.
- The third challenge relates to Pennsylvania's subsidy system, called Child Care Works. Pennsylvania has revised Child Care Works several times since ECI began and has added new funds to the program. While design issues have been favorably modified in core

areas such as co-payments and family income limits, ECI believes that the barriers that still exist restrict access for some of their families to the Child Care Works program and thus makes it hard for ECI to capture revenue that it needs to sustain the new programs created by ECI.

- Fourth, changing parent behavior is hard work, and ECI did not initially engage in substantial outreach or public relations activities aimed at parents. Welfare reform brought the parents of the targeted children into the workforce, and the subsidy system assured them choice in where they enrolled their children. The welfare clock was ticking for many parents and they made other arrangements out of necessity while ECI was creating new neighborhood capacity. These parents sought informal child care or used existing child care services that were not participating in ECI. Without a plan for massive public relations and outreach to market the new ECI programs, ECI was unable to persuade many parents to move their children once ECI programs were ready to receive them.
- ECI's experiences to date highlight the difficulties that many early childhood reformers have had in gaining a thorough understanding of the impact of subsidized child care and welfare reform policies on their work. The planners and implementers of ECI focused their mission, resources and energy on realizing a new agenda for quality, and have found themselves forced to react to the impact of changing public policy in related key areas such as subsidized child care and welfare reform.
- ECI has found it challenging to influence state-level decision-making about child care investments and policy. ECI's planning assumed a substantial contribution from the public sector at a higher level per child than the state subsidy system allowed. As of 1999, ECI's primary funder, the Heinz Endowments, is supporting statewide organizations to lend technical support to business leaders in the state to develop an agenda for dialogue with the Governor and other key state leaders about early childhood policy and funding statewide. These business leaders are part of The Quad Group, a coalition of the four leading business organizations in the state: Allegheny Conference on Community Development, Greater Philadelphia First, Pennsylvania Business Roundtable and Pennsylvania Chamber of Business and Industry. This effort benefits from substantive involvement of leaders beyond Allegheny County and a greater effort to work with the two other major community initiatives, Child Care Matters and Focus on Our Future, which are profiled on pages 124 and 131 respectively.

OTHER SITES WITH SIMILAR STRATEGY

The Cuyahoga County (Ohio) Early Childhood Initiative for children under five is a public-private partnership focused on developing effective parents, healthy children and quality child care. The initiative's five programs are: the Early Childhood Awareness Campaign (multi-media campaign directed to parents), Welcome Home (in-home visits by registered nurses to every first-time and teen mother), Early Start (in-home support for children under three and their families), Healthy Start (free health insurance for children of low-income working parents) and Quality Child Care (increased supply of certified, neighborhood-based child care). The Initiative is funded with $30 million in public funds and $10 million in private funds over three years. For more information, call (216) 698-2875.

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CHILD CARE MATTERS: A QUALITY CHILD CARE INITIATIVE OF SOUTHEASTERN PENNSYLVANIA

(PHILADELPHIA, CHESTER, DELAWARE AND MONTGOMERY COUNTIES, PENNSYLVANIA)

DESCRIPTION

Child Care Matters is a privately funded initiative designed to improve the private and public understanding of, and investment in, quality child care. Child Care Matters combines direct assistance to improve quality at more than 100 child care homes and centers, with systemic work to engage business, increase media coverage and improve public policy and financing for child care within state and city government.

WHEN ESTABLISHED

The initial planning for Child Care Matters occurred over a nine-month period starting in June 1996 with financial support from the William Penn Foundation. Implementation funds were provided by the William Penn Foundation starting in 1997 and are committed through 2003.

ANNUAL AMOUNT

The total project budget is $17.85 million. The William Penn Foundation has committed $14.1 million and the United Way of Southeastern Pennsylvania raises $3.75 million in matching funds from individuals and local philanthropies.

SERVICES FUNDED

Child Care Matters is a multifaceted initiative, which simultaneously works to improve program and staff quality in child care homes and centers while seeking improved public sector decision-making and investment in child care through public policy advocacy. The initiative includes communications and business engagement components to enhance the public policy advocacy of Child Care Matters. A paid media campaign informs the public about the benefits of quality child care. The ad campaign is supplemented with efforts to secure greater reporting on child care in the local media. The business engagement component works with area employers to increase their understanding of how child care affects their bottom line and aids the work force. It educates business leaders, particularly those who employ hourly-wage employees, about the child care needs of their work force, the value of investing in child care and opportunities for joining with Child Care Matters staff to work on public policy activities.

Through its service component, Child Care Matters seeks to provide a continuum of support to assist family child care homes and centers to attain and sustain improved quality. Depending on location, child care programs may participate in the Neighborhood Project or the Regional Quality Initiative.

The Neighborhood Project works intensively with family child care homes and centers in two low-income neighborhoods in Philadelphia, providing them with private subsidies to enroll low-income children, T.E.A.C.H. scholarships for their staff, start-up funds for family child care, and the funds, technical assistance and professional support from experienced field staff to develop and implement a quality improvement plan resulting in accreditation. In these neighborhoods, up to $60,000 for equipment and facilities improvement is made available to child care centers, and up to $5,000 is made available to family child care homes. In the first three years of the project, two centers, and six family child care providers attained accreditation.

At the outset of Child Care Matters, a private subsidy program was created as part of the Neighborhood Project. This helped low-income working parents on the waiting list for the state's subsidized child care program enroll in programs participating in Child Care Matters. As of 2000, the private subsidy was being phased out, since the Child Care Matters advocacy efforts to increase public sector funding and income limits for subsidized child care were successful.

Family child care has been a significant point of focus for the Neighborhood Project. A service continuum was designed to increase the supply of family child care homes by 45 in the Neighborhood Project areas. Unlicensed, informal and sometimes illegal home-based providers are helped to meet state and local regulatory requirements. Field-based staff provide technical assistance, and up to $1,000 in start-up funds.

The Regional Quality Initiative is available on an open, competitive basis to family child care homes and centers throughout the Southeastern Pennsylvania region, providing 175 T.E.A.C.H. scholarships and quarterly bonus payments to 40 accredited providers that enroll children from Pennsylvania's subsidized child care program, Child Care Works.

The central mission of Child Care Matters is to improve state and local public policy for child care. In its first three years, Child Care Matters was able to bring together an often disparate child care community to define and realize local and state objectives for child care public policy. Successes in quality improvement include the state's initial investment in the T.E.A.C.H. educational scholarship program ($500,000 in FY1999 and FY2000 and $1.5 million for FY2001); an allocation of the state's competitive quality improvement grant funds to be used in support of accreditation; and establishment of a $2 million statewide Health and Safety Enhancement program. Child Care Matters also focused its attention on the funding and design of the subsidized child care program, Child Care Works, and helped to lead a successful statewide coalition effort to improve funding and program design in such areas as parental co-payments, provider payment methods, and income eligibility guidelines. Other issues require ongoing work. Locally, the City of Philadelphia set up a Task Force on Child Care that led to the establishment of a City Office of Child Care and the creation of a City of Philadelphia Health and Safety Program, designed to assist providers meet state and local licensing and best-practice standards.

HOW FUNDS DISTRIBUTED

Child Care Matters is led by a partnership of five nonprofit organizations: Delaware Valley Association for the Education of Young Children, Delaware Valley Child Care Council, Philadelphia Citizens for Children and Youth, Philadelphia Early Childhood Collaborative and United Way of Southeastern Pennsylvania.

United Way of Southeastern Pennsylvania is the administrative entity for Child Care Matters, entering into contracts with each of the partner agencies. Delaware Valley Association for the Education of Young Children and the Philadelphia Early Childhood Collaborative are responsible for implementing the quality of care continuum that Child Care Matters uses. They employ field staff to work directly with programs. Child Care Matters approves and pays for all disbursements for equipment and facilities improvements. Public policy and advocacy is led by Philadelphia Citizens for Children and Youth; business engagement by United Way of Southeastern Pennsylvania; and communications by the Delaware Valley Child Care Council. When possible, Child Care Matters has sought to take advantage of existing publicly funded organizations. Thus, the private subsidy program that operated during the first several years of Child Care Matters was administered through a contract with the local agencies that run the state's subsidy program for child care. As the founding funder for the T.E.A.C.H. program in Pennsylvania, Child Care Matters organized a selection process with a number of other concerned organizations, including the Pennsylvania Department of Public Welfare, to identify a statewide licensee for the project.

POPULATION SERVED

Through its broad-based regional service component, Child Care Matters benefits children and families, and the child care teachers, child care centers and homes that serve them, without regard to income. Its work in the City of Philadelphia focuses on the needs of low- and moderate-income working families and the programs and staff that serve them.

STRATEGIC CONSIDERATIONS

- The William Penn Foundation sought out the five nonprofit partners for a year-long child care planning process and encouraged the five organizations to create a multifaceted plan for addressing problems. Representing the notion of non-traditional allies and partners, the five agencies of Child Care Matters include three nonprofit agencies whose sole focus is child care and two nonprofit partners who have additional areas of expertise.
- The partnership of the five organizations that make up Child Care Matters is seen a critical to the success and impact of the work. The five agencies must agree on the overall objectives. The collaboration itself has been a challenge and has required ongoing assessment and clarification of roles of the partner agencies. The partner organizations believe that the joint objectives add value, and have resulted in more substantial gains than had been realized before the creation of the Child Care Matters partnership. This view is shared by individuals who are not partners, but who are knowledgeable about child care policy and practice.
- Child Care Matters has sought to demonstrate the effectiveness of proven strategies for serving low-income children and their families and for improving quality. This research-based approach led the partnership to bring T.E.A.C.H. to Pennsylvania and to use accreditation as the program standard. These models were applied locally and promoted as part of the public policy work. The strategy has resulted in Pennsylvania government funding T.E.A.C.H., and earmarking existing quality funds to support accreditation. Legislation has been introduced to provide ongoing support for accreditation.
- During the planning period for Child Care Matters, the partners assessed the existing political environment to help determine the scope of the public policy agenda. Child Care Matters recognized the socially conservative nature of Pennsylvania, which achieves public policy change incrementally. In 1997 came the implementation of welfare reform and the focus on jobs for working parents, particularly mothers. This provided a framework that resonated with state decision-makers, helping to create a climate in which the child care budget has grown about 15 percent each year, in contrast to most of the state's budget, which has grown by only 2 to 3 percent. At the same time, the focus on the state's subsidized child care program resulted in significant time being spent on addressing design and implementation issues, with a greater degree of state government interest in subsidy than quality.

- Another guiding principle for Child Care Matters is to strengthen existing infrastructure for child care by building on existing programs and systems. For example, Child Care Matters and the City of Philadelphia agreed to use a state-funded child care nonprofit to administer the Child Care Health and Safety Program.
- Child Care Matters has made mid-course corrections. In the quality improvement area, a mentor model was used initially, but it did not provide sufficient on-site time or assistance for the child care programs. A new model was developed that uses a "cluster leader" who works with a small number of child care programs (three to four) to help them achieve accreditation. Additionally, Child Care Matters recognized that there was a gap in service to child care programs that could receive assistance to meet licensing requirements but were not yet ready to participate in accreditation. This led the partnership to define a continuum from start-up through accreditation.
- An independent evaluation of Child Care Matters is being conducted by Temple University. The Temple team is a multidisciplinary group, including faculty from its public policy, psychology and communications departments.
- Organizations that are not an official part of the partnership are crucial to successful outcomes for the initiative. Developing these strategic relationships has been time-consuming, but it has resulted in significant gains. For example, the president of Community College of Philadelphia, who serves on the Governing Committee for Child Care Matters, negotiated a unified rate for T.E.A.C.H. for all the community colleges in the region to enhance the early acceptance of, and effectiveness of, T.E.A.C.H. Child Care Matters also has enjoyed a strong working relationship with Focus on Our Future, profiled on page 131.
- Child Care Matters has found it difficult to engage the business community. Few businesses have their headquarters in Philadelphia and historically the city lacks an activist business community. To date the Philadelphia businesses have been most engaged on issues related to the design and implementation of Child Care Works, the subsidized child care program, and least engaged when the focus is on longer-term school readiness and the educational impact of quality child care.

OTHER SITES WITH SIMILAR STRATEGIES

Other sites that have developed multifaceted initiatives using a private funding base include Kansas City, profiled on page 133; Focus on Our Future, profiled on page 131; and Early Childhood Initiative of Allegheny County, profiled on page 121.

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DEKKO FOUNDATION CHILD CARE ENDOWMENT FUNDS (INDIANA)

DESCRIPTION

The Dekko Foundation has worked with community foundations to establish child care endowment funds in six Indiana counties: LaGrange, Steuben, Noble, DeKalb, Kosciusko and Whitley.

WHEN ESTABLISHED

The funds were established in 1998.

ANNUAL AMOUNT

At present, the funds vary in size from $80,000 to $300,000. (This represents the total principal raised over a two-year period. It is anticipated that the funds will grow as they attract more investors.) The community foundations participating in the fund have agreed to spend 4 percent of the market value of the fund each year. In 1999, this resulted in between $3,200 and $12,000 to support provider initiatives in each of the communities.

SERVICES FUNDED

Interest income from the child care endowment must be used to support child care providers and enhance the quality of child care (including better training, compensation, equipment and supplies). So far the funds have primarily been used for provider bonuses (when they achieve a CDA or other credential), health benefits and accreditation fees.

HOW FUNDS DISTRIBUTED

The Dekko Foundation makes matching funds available to community foundations that raise private sector funds for the endowment. For every dollar that is raised from an individual or local business, the Dekko Foundation provides $3, up to a maximum of $50,000 per community each year for five years. The goal is to establish endowments that total at least $1 million by the end of five years. Local communities decide how to spend the interest income from the endowments.

POPULATION SERVED

Funds from the endowment are used for awards to child care providers (center- and home-based) who are working toward accreditation. There are no income guidelines. Eligible child care providers may serve families at all income levels.

STRATEGIC CONSIDERATIONS

- The Dekko Child Care Endowment Funds were established in response to a larger challenge grant from the Lily Endowment. Three years ago Lily offered a $1 million, dollar for dollar, challenge grant to community foundations that were interested in building local endowment funds for many different purposes. Dekko decided to focus on building child care funds in six counties.
- The strength of an endowment strategy is that it is permanent. It establishes an ongoing source of revenue that continues to grow. One can say to a donor "if you invest $100,000 in this initiative, you can be sure that your money will still be working 50 years from now."
- Assets from individual wealth are a largely untapped resource for child care. An endowment strategy provides one method to access this resource. For example, an endowment fund can be an effective way to draw in grandparents and other relatives who want to make a lasting contribution to their family as well as to the community at large.
- In order to build a successful endowment fund, the early child care field needs to learn how to ask for money. It must also learn new ways of getting the wealth of the community involved in child care. Community foundations are uniquely positioned to provide leadership in building child care endowments because they depend upon attracting new donors and building new assets.
- Research on brain development and the new focus on building an early childhood education system are strong selling points for potential investors.

OTHER SITES WITH SIMILAR STRATEGIES

The York Foundation in York, Pennsylvania, is working on building a child care endowment fund. For more information, contact Carolyn Steinhauser at (717) 848 3733.

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CHILD CARE SCHOLARSHIP FUND OF THE MARIN COMMUNITY FOUNDATION (MARIN COUNTY, CALIFORNIA)

DESCRIPTION

The Child Care Scholarship Fund (CCSF) provides financial assistance to low– and moderate–income Marin County families. It was launched by the Marin Community Foundation, which was established in 1987, anchored by a $600 million trust fund and other donor bequests. The CCSF is an endowment fund managed by the Marin Community Foundation. The proceeds from the CCSF support the Child Care Scholarship Program (CCSP), administered by the Marin Education Fund (MEF), which also administers a variety of other vocational and educational scholarship programs.

WHEN ESTABLISHED

The CCSF was announced in 1990 with a $3 million donation from the Marin Community Foundation to establish the endowment. The foundation also established an additional pool of up to $3 million of challenge funds to be used to match community donations. The first scholarship awards were made in 1993.

ANNUAL AMOUNT

In 1990, the Marin Education Fund was selected to design and administer the scholarship program as well as to raise the community funds to draw down the match. The Marin Education Fund had 10 years of successful experience managing educational and vocational scholarships for the community, but limited experience in fund development. From mid–1993 through 1995, motivated by the challenge funds offered by the Marin Community Foundation and by an anonymous donor who contributed $240,000, structured to provide additional giving incentives, the Marin Education Fund raised $650,000 from individuals, local businesses and other philanthropies. Fundraising expectations and priorities were reassessed in 1996, with the result that the active fund development for CCSF was discontinued.

Currently, the value of the CCSF stands at $8 million, the cumulative result of all gifts, matching funds and a booming stock market. This generates about $400,000 annually for scholarships and administration. Currently, $360,000 is allocated annually to child care scholarships. For the first few years of fund development, the Marin Community Foundation set a 3–to–1 match rate – $3 for every $1 donated by the community. For 1994–95, the match rate was 2–to–1, declining to 1–to–1 for 1995–96 and beyond. The original goal was to have a total of $9 million in the CCSF by 1997.

SERVICES FUNDED

The CCSP was originally designed to help Marin families whose incomes exceeded the eligibility limits for state child care subsidies. This was modified over the years to cover families with lower incomes who needed help to bridge a gap between public subsidies, to adjust the upper income for inflation, and to reduce the number of years that a particular family was assisted, in order to increase the number of families who could be helped.

Currently, the proceeds from the CCSF provide financial assistance in the form of child care scholarships to low– and moderate–income families.

Scholarships cannot be used for purely child enrichment programs or for child–protective reasons. Families must use licensed child care providers (either centers or family child care homes) to qualify for assistance.

HOW FUNDS DISTRIBUTED

Families learn about the CCSF through child care providers, the local child care resource and referral agency, word of mouth and outreach materials from the Marin Education Fund. Families who call the MEF can speak directly to a child care advisor, listen to a voice mail informational message and/or have written informational materials mailed to them. A family completes an application and is then interviewed by an assessment counselor.

Once the family is approved for a scholarship, MEF issues an award letter providing the specific terms of the grant (length, total amount and percentage of fee). Payments are made to the child care provider on a monthly basis. Scholarship awards are reviewed every six months for continued eligibility.

POPULATION SERVED

Scholarships are available to low– to moderate–income Marin County families, based on HUD's regional schedule. The upper income limits currently range from $43,500 for a family of two to $54,400 for a family of four. Scholarships are awarded to cover between 30 percent and 90 percent of the family's child care fees, based on the family's income. Assistance is designed to be a time–limited bridge to help the family make the transition to self–sufficiency. Scholarship awards are not made for longer than two years, and many are for six months or less.

Families must need child care because they are employed, actively engaged in a vocational or educational program or are seeking work directly after completing a vocational or educational program. The average family receiving assistance earns less than $30,000 annually.

STRATEGIC CONSIDERATIONS

- The difficulty of raising $3 million in community funds to match the challenge grant offered by the Marin Community Foundation was underestimated. The task proved difficult and more costly than anticipated. The original estimate of more than a 10 percent return on investment for the CCSF also was overly optimistic. The Marin Education Fund believes these difficulties were due, in part, to the economic climate of California and the county, which worsened dramatically between the late 1980s, when the CCSF was conceived, and the early 1990s, when the fund-raising began.
- The original design for CCSP in the late 1980s called for supporting families with incomes between $15,000 and $28,000 at an average 50 percent subsidy over the years until their children reached age 10. At that time, it was estimated that between 600 and 700 Marin families would qualify. By the time CCSP was launched and began making scholarship awards in 1993–94, the estimate of eligible families had soared to more than 4,000, primarily due to economic and demographic changes. Eligibility criteria were redesigned to match the resources available, while remaining true to the original intent of helping families who were ineligible for public subsidies.
- The Marin Community Foundation was criticized when the CCSF was announced because the CCSF was promoted as "the answer" – the one best strategy to address child care needs of Marin County families. Previously, the foundation had made grants to many local child care centers. Eventually, the foundation resumed its community-based child care grant-making at an annual level of about $500,000. The focus is on child care improvement and expansion, especially in relation to community development and the economic self-sufficiency of families.
- The experience of the CCSF shows that a scholarship fund is insufficient to address the full range of child care issues in a community. Scholarship funds are a valuable and important part of an overall strategy designed to increase public and business concern about child care and increase investment on behalf of lower-income families. Strategies and resources also have to 1) build the capacity of the child care community to function more effectively and expand its services and 2) build the civic constituency to support child care as an integral part of a community's economic and overall planning. The underlying message is that community health depends on good, affordable child care services.

OTHER SITES WITH SIMILAR STRATEGIES

Although other community foundations fund child care programs, this level of funding for scholarship assistance is unusual.

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FERN WEBSTER PROFESSIONAL DEVELOPMENT FUND (THE KANSAS CITY METROPOLITAN REGION, KANSAS & MISSOURI)

DESCRIPTION

The Fern Webster Professional Development Fund is part of a series of community partnerships in the Kansas City Metropolitan Region designed to achieve ambitious local goals for improving child care quality (see also the Kansas Accreditation Plan on page 133). The Fern Webster Professional Development Fund responds to a local goal that 90 percent of children cared for outside the home are in a setting in which at least one person has a degree (A.A., B.A., B.S., M.A.) in early childhood education. The Fund has four components: individual scholarships, Higher Education Consortium, Center Director's Institute and advocacy.

WHEN ESTABLISHED

The Fern Webster Professional Development Fund was established in 1996.

ANNUAL AMOUNT

For its first six years of operation, a total of $2 million was committed to the Fund. Eighty-five percent of the money ($1.7 million) is dedicated to individual scholarships. The Fund is financed by private philanthropic contributions made by the Ewing Marion Kauffman Foundation. Additional funding is provided by the Greater Kansas City Association for the Education of Young Children.

SERVICES FUNDED

Individual scholarships account for 85 percent of the Fund's expenditures. Tuition support is available for practitioners to pursue classes toward an A.A., B.A., B.S. or M.A. in early childhood education. The Fund is used for tuition and fees for classes that contribute to the completion of a degree in early childhood education. In addition, a small amount of funding supports coursework leading to a Child Development Associate (CDA) credential. The support for a CDA is designed to serve as an entry into the higher education system, and receiving a CDA is not considered a final educational degree. A small amount (1 percent) is also set aside to cover the costs of services needed to take advantage of the scholarship, such as transportation or child care. More than 400 awards were made during the 1996–1999 period, providing 4,500 credit hours.

The Higher Education Consortium brings together educators to create a system of formal training and education opportunities through collaboration, access to courses and articulation.

The Center Director's Institute provides training to center directors to increase their ability to effectively manage staff and resources.

Advocacy includes the provision of information to the community and state leadership on the importance of highly qualified, well-compensated professionals in the field.

HOW FUNDS DISTRIBUTED

A committee of community partners, including representatives of philanthropic organizations, businesses and early childhood professionals, makes awards twice a year. Priority is given to providers in the urban core of the Kansas City area and to those working with infants and toddlers. Awards are made for the entirety of the degree or until the end of the current grant period (currently December 2002). Each school directly bills the Fund's administrator, the Metropolitan Council on Child Care, for the cost of tuition.

POPULATION SERVED

Scholarship recipients must be at least 18 years old, have a high school diploma or GED, work at least 25 hours each week in a Kansas City area early childhood program and have six months' experience in the field.

STRATEGIC CONSIDERATIONS

- The Fern Webster Professional Development Fund is one of a set of coordinated, strategic initiatives in the metropolitan Kansas City area. Kansas City organizations concerned with early childhood education and child care came together to discuss community plans for improving outcomes for young children and the role of quality early child care and education to reach this goal through a planning and implementation effort known as Partners in Quality. The Fern Webster Professional Development Fund was set up to help the community achieve its quality improvement goals, specifically a desire to provide a degreed teacher in 90 percent of the early childhood and child care programs (home- and center-based).
- The initial planners of the effort – including early childhood training organizations and individuals, for-profit and nonprofit child care providers, Head Start programs, advocacy organizations for children, institutions of higher education, United Way and local philanthropies – assessed existing approaches to improved teacher training and credentialing. For example, they explored bringing the T.E.A.C.H. scholarship program to the region, but ultimately decided that they needed to develop a local model.
- A key difference between Fern Webster's approach and that taken by similar initiatives such as T.E.A.C.H. is that Fern Webster focuses solely on increasing

education. T.E.A.C.H., for example, links increased education with increased compensation. Although scholarship participants may in fact receive higher wages as a result of their education, there is no program requirement that ensures this will happen.

- The individuals and organizations involved with the Fern Webster Fund, as well as the other Kansas City initiative profiled on page 133, believe that their efforts to create a series of privately financed initiatives should ultimately attract more public resources. They note several unique features in the Kansas City metropolitan area that have led to a broad base for the sponsorship of these initiatives. There is a highly organized civic infrastructure, a history of cooperation among business, philanthropic and nonprofit organizations and a rich tradition of early childhood leadership among the foundations, including the lead funder for the Fern Webster effort, the Ewing Marion Kauffman Foundation.

OTHER SITES WITH SIMILAR STRATEGIES

Some aspects of the T.E.A.C.H. program are similar. T.E.A.C.H. is profiled on page 153.

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FOCUS ON OUR FUTURE: A CHILD CARE INITIATIVE OF YORK COUNTY (YORK COUNTY, PENNSYLVANIA)

DESCRIPTION

Focus on Our Future: A Child Care Initiative of York County, sponsored by the United Way of York County, is a broad–based community planning and service effort to assure the availability of quality, affordable child care for the 360,000 residents of York County, Pennsylvania.

WHEN ESTABLISHED

Planning for Focus on Our Future started in 1994, when the Commonwealth Community Foundation provided a $10,000 grant to the York Foundation, York County's Community Foundation, to identify an issue of urgency affecting children from birth through age 5. The issue that emerged was the quality, affordability, and accessibility of child care for children under the age of 6. As a result of this finding, a partnership was established between the York Foundation, United Way of York County, and Pennsylvania State University at York to address these concerns. A year later, Child Care Consultants, Inc., the local resource and referral agency and the local administrator of the state's subsidized child care funds, was added to the partnership. Over a three–year period, 300 York County citizens were involved in a planning effort. This process culminated in the1997 formation of a commission of community representatives to oversee the project, and the United Way's commitment to sponsor Focus on Our Future for three years.

ANNUAL AMOUNT

The annual budget for Focus on Our Future has ranged from $150,000 to $220,000. One half of the funding is provided by the United Way, with most of the remaining funds raised through the York business community and local foundations. A small amount of public–sector money from the Pennsylvania Department of Public Welfare is used for child care training.

SERVICES FUNDED

The heart of Focus on Our Future is its Focus on Our Future Commission, which was developed to attract business leaders, legislators, educators, child care providers, funders and advocates. The commission oversees the planning, funding and implementation of Focus on Our Future. The primary efforts of Focus on Our Future have been in two areas: developing local quality initiatives and developing a plan to improve the financing of the child care system in York County and throughout the state.

Quality improvement is fostered through the promotion of national accreditation of child care centers and home–based programs. A center–based accreditation project provides monthly training sessions for directors and on-site technical assistance to any program interested in working toward accreditation. A home-based accreditation project offers similar services to family home and group care providers. Quality enhancement grants are available to assist child care providers with expenses related to accreditation, including training, supplies and equipment. A total of $45,000 has been awarded in the past two years. United Way has now indicated that all of the child care centers it funds must be accredited by December 2002.

The second signature quality initiative is the sponsorship of a 37-week Child Development Associate (CDA) class at Pennsylvania State University at York (Penn State York) that allows the students to receive nine college credits that may be applied at Penn State York. A mentoring program also is available to assist home-based providers to attain CDAs, a special project that Focus on Our Future has funded through Child Care Consultants, Inc. Through the efforts of Focus on Our Future and Penn State York, York County child care providers are able to participate in T.E.A.C.H., a state-funded scholarship program to help individuals to earn their associate degree. The availability of the T.E.A.C.H. scholarship program led Penn State York to develop an associate degree with an emphasis in early childhood.

Focus on Our Future has sought to create connections across the state for its support of increased professional development and compensation for child care teachers. The initiative is part of a state-wide pilot project, sponsored by the Pennsylvania Department of Public Welfare, to create a voluntary professional development record for child care teachers. It also is one of three Pennsylvania sites involved in the Gateways professional development project, sponsored by Wheelock College.

A Finance Commission of nearly 50 community leaders was created in 1999 to develop a ten-year plan to more adequately finance quality child care in York County. The planning process is designed to solidify the leadership in the civic community; to increase knowledge and expertise about child care, its impact and cost; and ultimately to forge a community strategy to secure greater public and private sector investment in child care in the county. By the fall of 2000 the Finance Commission intends to produce a report on the issues and provide strategic recommendations to guide its financing advocacy. The Finance Commission was preceded by extensive public education efforts, including an annual public forum designed to educate and mobilize the community.

The success of Focus on Our Future and the York Foundation in engaging the community around the issues of child care quality and financing enabled the York Foundation to attract a $500,000 challenge grant from the Heinz Endowments to encourage private sector investment in child care. These funds will assist seven child care centers to build endowments and enable the York Foundation to create an endowment for the ongoing work of Focus on Our Future.

HOW FUNDS DISTRIBUTED

The United Way of York County distributes the funds raised to support Focus on Our Future. The Focus on Our Future Commission develops and approves the annual budget.

POPULATION SERVED

Focus on Our Future has a long-term goal of affecting the quality and affordability of child care programs for all children under the age of 6 in York County. At present, child care centers, home-based programs and child care teachers may participate in specially funded initiatives.

STRATEGIC CONSIDERATIONS

- Focus on Our Future is a partnership between the United Way of York County and several other organizations in the area. The partnership is seen as central to the work of this initiative and critical to its success. United Way determined that the effort would be more successful if it tapped into expertise and leadership available from the broader community.
- Focus on Our Future shows how smaller communities, with limited private-sector resources, can create a planning and grants process to focus greater attention on child care issues. Focus is staffed by one full-time staff person, who has been able to use the network of existing relationships in the community to improve communication on child care issues and to create a higher degree of commitment to high quality child care. The volunteer leadership of the commission emphasizes the role of a dedicated, expert staff person in realizing the mission of the initiative.
- Business leaders have been involved in the community work of Focus on Our Future (i.e. its commission and various planning activities). Initially, Focus on Our Future planned to work with businesses to examine child care and family life policies, but learned the staff needed to educate more business leaders about child care before such a project could be successful.
- The Focus on Our Future Commission has been a highlight of the work. The original planners sought to secure diverse representation for this group and were successful in engaging many well-regarded community leaders. Participation on the commission is seen as a sign of community leadership.
- Focus on Our Future has been aided by the commitment of a well-respected, local business leader/philanthropist, who has developed expertise on

the issues. His participation has helped to engage many others to serve on the Focus on Our Future Commission and the Finance Commission.

- The collaboration of the United Way and York Foundation, the local community foundation, has produced positive results. Another effective collaboration has occurred between Focus on Our Future and Child Care Matters (profiled on page 124) in several areas of mutual interest.

OTHER SITES WITH SIMILAR STRATEGIES

The Rochester/Monroe County Early Childhood Development Initiative is similar insofar as the participating organizations do not have a large budget for the initiative, but instead sought to take advantage of their working relationships to improve the financing of child care in the community. See page 149 for a more detailed description. Other community-based initiatives profiled in this book include Allegheny County Early Childhood Initiative, page 121, and Child Care Matters: A Quality Child Care Initiative of Southeastern Pennsylvania, page 124.

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KANSAS CITY ACCREDITATION PLAN: ACCREDITATION PROJECT AND CHILD CARE ACCREDITATION INITIATIVE GRANT PROGRAM (THE KANSAS CITY METROPOLITAN AREA, KANSAS AND MISSOURI)

DESCRIPTION

Partners in Quality for Early Childhood Care and Education, a consortium of child care leadership and stakeholder groups in the Kansas City bi-state metropolitan area, has set as a goal accrediting 100 of the region's 500 child care centers by the year 2002. To achieve this goal, a multi-pronged approach to accreditation was spearheaded by Heart of America Family Services and Heart of America United Way, and adopted by Partners in Quality. This approach includes 1) the Accreditation Project, which provides ongoing technical and professional assistance to centers seeking accreditation, and 2) a Child Care Accreditation Initiative Grant Program, also known as the Child Care Accreditation Fund, which provides grants to centers for equipment and improvements. A third prong promotes teacher education and was developed through the Fern Webster Professional Development Fund (profiled on page 130). Funding is provided primarily through private foundations, although certain aspects of the accreditation plan have received funding from the public sector, businesses and religious institutions.

WHEN ESTABLISHED

Separate planning undertaken by Heart of America United Way and Heart of America Family Services in 1996 laid much of the groundwork for the Kansas City efforts. In 1996, Heart of America Family Services began to examine the broad issues of improved quality in child care programs and established the Accreditation Project to support the quality standards set by the National Association for the Education of Young Children (NAEYC). At the same time, Heart of America United Way undertook a feasibility study to determine what was needed for its own United Way-funded child care programs to become accredited. It then decided to financially support accreditation for these programs. Simultaneously, Partners in Quality was developed as a consortium of 24 local and regional organizations committed to taking action to improve child care quality. The planning intersected, and a variety of implementation projects to support goals established by Heart of America Family Services, Heart of America United Way and Partners in Quality began in 1997.

ANNUAL AMOUNT

The Child Care Accreditation Initiative Grant Program, which provides grants to centers for equipment and improvements, is capitalized with $1.7 million for 1997 through 2002. Contributors to the grant program include Bank of America Foundation/United Way of America Success by 6® Enhancement Initiative, Francis Families Foundation, Hall Family Foundation, Heart of America United Way and the Ewing Marion Kauffman Foundation.

The Accreditation Project provides ongoing technical and professional assistance to sites seeking accreditation. The project is funded at $572,000 annually, with investment from foundations, individual donations, the Independence Missouri School District, the Diocese of Kansas City–St. Joseph, Kansas City Missouri School District, Greater Kansas City Association for the Education of Young Children, Heart of America United Way, Wyandotte County United Way and the Missouri Department of Health.

SERVICES FUNDED

The Child Care Accreditation Initiative Grant Program is available on a competitive basis to centers seeking accreditation after they complete an assessment facilitated by Heart of America Family Services' Accreditation Project. The Accreditation Initiative grants can be used to improve facilities and equip classrooms, with an average grant size of $15,000. At the beginning of 2000, 17 United Way child care programs and 42 other programs were participating in the Accreditation Initiative. Priority is given to programs located in the urban core of the metropolitan area, to child care programs that demonstrate readiness to move toward meeting accreditation standards and to child care programs participating in the Accreditation Project.

The Accreditation Project provides three types of assistance to child care programs seeking to become accredited: on–site assessment and consultation to achieve accreditation, training and a director's support group. Consultants with expertise in program design and implementation, administration and management, and other relevant areas have been trained to work on–site with the centers seeking accreditation.

Child care centers are not required to participate in both the Accreditation Initiative Grant Program and the Accreditation Project. The Accreditation Project is able to accommodate all the programs that request assistance, and it has been successful in attracting funding from educational and religious groups that have set accreditation goals for their child care programs, including Heart of America United Way, the Independence School District and the Diocese of Kansas City–St. Joseph. The Accreditation Initiative, however, is competitive and a center's prospects for an award are enhanced if the center also is participating in the Accreditation Project.

HOW FUNDS DISTRIBUTED

Child care programs apply to participate in the Accreditation Initiative grant program and/or the Accreditation Project through Heart of America Family Services. Depending on the affiliation of the center, it may be given priority access to either the Accreditation Initiative or the Project. For example, child care centers funded by Heart of America United Way are given priority for participation due to United Way's decision to insist upon accreditation for its programs, and its key role in fundraising for the Accreditation Initiative. Likewise, the Diocese of Kansas City–St. Joseph has set a goal for its centers to become accredited and has funded the Accreditation Project in order to ensure access for its centers.

POPULATION SERVED

The Kansas City Accreditation Project is available primarily to child care centers. The Accreditation Initiative Grant Program gives priority to centers serving the urban core of the Kansas City metropolitan area.

STRATEGIC CONSIDERATIONS

- Organizations in Kansas City have developed a number of strategic initiatives to improve child care quality. These initiatives are implemented by several organizations whose roles in child care quality improvement have been recognized by the community as a whole. Instrumental to this effort was the development of a 24–member group, Partners in Quality, founded in 1996, as a mechanism for developing a community–wide plan for child care quality improvement that required each of the participating partners to identify and take responsibility for action steps. Partners in Quality includes key stakeholders in the local community, and its membership is drawn from private and public funders, businesses and child care training and support organizations. The Partners in Quality community plan includes a short–term goal for the year 2002 to accredit 100 of the 500 child care centers in the region and a longer–term goal for the year 2010 of accrediting 80 percent of the centers in the region. While the strategic planning for the initiatives described in this profile was completed before the formation of Partners in Quality, the original organizations are now fully committed to the broader community effort and infrastructure that it provides.
- Prior to the creation of Partners in Quality, Heart of America United Way undertook an accreditation feasibility study of the 17 child care centers it funded and determined that it would be appropriate to develop a policy requiring that its participating child care agencies become accredited. United Way set about to raise the necessary funds to aid its 17 programs as part of its commitment to the Partners in Quality community goals.

- Local organizations organized the Accreditation Initiative grant program and secured resources to allow the Accreditation Project to assist more providers. Simultaneously, Heart of America United Way and other organizations, as part of their public policy commitment to Partners in Quality, sought legislation in Missouri. This legislation was designed to provide a 20 percent rate differential to accredited child care programs that accept children funded through the state's subsidized child care program. The legislative initiative was successful and provides the opportunity for sustaining accreditation that is attained through the locally driven Accreditation Initiative grant program and Accreditation Project. Additional public policy initiatives are underway to secure more public–sector support for accreditation.
- Participants in the Kansas City efforts all indicate that there is a strong history and culture of cooperation and partnership among the organizations concerned with child care quality. This history facilitated the approach adopted by Kansas City, in which different organizations take the lead in planning and executing parts of the overall plan developed by Partners in Quality. The participating organizations indicate that they have avoided turf issues, and that organizations were provided with roles and activities that took advantage of their strengths.
- The local foundation community has played an important role in bringing together the groups in Kansas City. Foundations have provided leadership in establishing a community vision and providing key resources to accomplish the vision. The foundations have honored the strong roles and capabilities among the local organizations and provided grant support in a consistent manner.
- The support of the business community in developing the community plan, and in supporting implementation of the Accreditation Initiative, was gained in part through community education efforts. Research on brain development and the opportunities for early learning was used to help many high–level business and civic organizations understand the impact that quality child care could have on children's overall development.
- Heart of America Family Services developed a special project, the BrainChild Initiative, to build community–wide awareness and involvement in early childhood issues. Materials developed by the BrainChild staff have been used by United Way's corporate campaign staff members as they reached out for additional financial support for accreditation. United Way found that the decision to focus on quality improvement for the early childhood programs it funds has been useful in attracting new resources for the Accreditation Initiative. Materials from BrainChild, as well as the United Way's decision to provide incentives to the program it funds to achieve accreditation, have proved persuasive to individuals and corporate givers alike.

OTHER SITES WITH SIMILAR STRATEGIES

Foundations and United Ways have been active in communities across the country to help finance community–level strategies to improve child care quality through accreditation. Kansas City is distinguished by its large–scale community plan developed with the assignment of different roles and responsibilities across a wide variety of agencies. Child Care Matters, profiled on page 124, provides another privately sponsored approach, as does Focus on Our Future: A Child Care Initiative of York County, profiled on page 131. The Chicago Accreditation Partnership, profiled on page 145, is a public–private partnership that has accreditation as its central mission.

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MODEL CENTERS INITIATIVE OF THE MIRIAM AND PETER HAAS FUND (SAN FRANCISCO, CALIFORNIA)

DESCRIPTION

The Model Centers Initiative provides significant, multiyear support to help several child care centers that serve low-income families with preschool-age children become "model centers" that provide developmentally appropriate, high-quality child care.

WHEN ESTABLISHED

The initiative was designed during 1995, and the first four centers were selected to participate in 1996.

ANNUAL AMOUNT

Annual grants to the centers range from $100,000 to $500,000 with a five-year commitment to the initiative.

SERVICES FUNDED

Each center requested funds for specific improvements, such as staff development, salary enhancements, equipment and supplies, comprehensive service staff (e.g., social workers), physical renovations and planning for the purchase and/or construction of a new site.

In addition to funding an initial needs assessment consultation for each center, the Fund has paid for a five-year evaluation and technical assistance to the model centers. Fund staff spend a significant portion of time on work related to the model centers.

HOW FUNDS DISTRIBUTED

After a thorough needs assessment for each center (commissioned by the Fund), each center prepared an improvement plan and associated funding request. After the Fund reviews and approves the annual plan, each center receives a quarterly payment based on the cash flow required to implement its plan.

POPULATION SERVED

Low-income families in San Francisco who use one of the model centers for child care are the population served directly.

STRATEGIC CONSIDERATIONS

- The Model Centers Initiative represents a significant financial investment and commitment on the part of a philanthropic organization to child care in a city.
- The Fund is concerned that its commitment and infusion of resources to early childhood serve as a catalyst, encouraging other funders to increase, rather than reduce, their commitments to early childhood. It is tracking both public and private investment in early childhood activities in San Francisco. Further, the Fund is actively engaged in—and providing financial support in partnership with other funders to—other community child care initiatives.
- The Program Materials and Equipment (PM&E) fund provides small grants of about $3,000 to all licensed centers. The fund participates in the Child Care Facilities Fund and Professional Development Initiative.
- The Fund produced and distributed a pamphlet, "Early Childhood Education: A Social and Economic Imperative." This provided an opportunity to share the lessons learned in San Francisco through model centers to persuade other private funders to make a similar commitment to early childhood in their own cities.
- To the extent that the Fund can target its resources to improving the context in which all San Francisco centers operate, it will be more likely to produce lasting improvements in the model centers and improvements that will reach beyond them. Contextual factors that might be addressed include professional development, public financing for child care services, facility development and financing.
- Initiatives designed to directly help a relatively small proportion of the child care centers in a given city will miss home-based child care. However, the contextual changes that result will have the potential to positively affect the wider child care community.

OTHER SITES WITH SIMILAR STRATEGIES

Some community foundations make grants to support child care projects. Other family foundations also support child care improvement efforts in communities. A coalition of New Jersey foundations is involved in a similar effort in the City of Newark.

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FINANCING CHILD CARE VIA PUBLIC-PRIVATE PARTNERSHIPS

Blending public and private funds to finance child care is not a new strategy. These partnerships have played a key role for many years. But during the past few years the scope and depth of these partnerships have changed. The number of stakeholders also has expanded.

When businesses in the private sector became involved in financing child care, the focus was on short-term grants and initiatives that targeted their own employees. As employers' experience with the child care industry grew, they began to realize that these investments were more effective if they were made in partnership with community-based child care programs. Still, the private sector primarily focused on short-term grant programs. And these grants were predominately made by large employers with stable, well-paid staffs.

This trend is changing. Public-private partnerships are no longer limited to large employers and one-time grants. Initiatives such as Florida's Child Care Partnership Act have helped businesses that employ hourly workers to become involved in meaningful ways. Many states have established business commissions on child care finance, which have helped a wide range of private-sector partners learn more about the child care industry and how they can become involved. Additionally, capital investment strategies are looking at long-term financing and the need for ongoing subsidy.

Public-private partnerships also have become much more sophisticated. Initiatives such as Educare in Colorado, Smart Start in North Carolina, and a host of other state/community partnerships have made systemic change a key goal. Capital investment partnerships are leveraging and blending funds from many sources. These partnerships are drawing investments from private lenders, school boards, Head Start, community development funds, Temporary Assistance for Needy Families money, the Child Care and Development Fund, state and local general funds and other sources to finance or renovate facilities for early childhood programs. In many cases capital investments are leveraging commitments for ongoing subsidy to help underwrite the cost of debt.

Even initiatives that focus exclusively on promoting early childhood program accreditation are taking a broader approach and thinking carefully about systemic change. New Jersey's Accreditation Facilitation Project is designed to work in tandem with the state's tiered reimbursement system and to leverage local and private sector funding. The Chicago Accreditation Project requires active participation and support from a wide range of funders and stakeholders who recognized that they could not improve the quality of child care unless they worked together. This project has built linkages with local colleges to improve staff development opportunities and has negotiated agreements with faith-based organizations and with the city agencies that contract for subsidized child care to ensure that programs receive the support and financing they need to achieve accreditation.

Although some things have changed, others have remained the same. Effective public-private partnerships have always been – and continue to be – rooted in communities. The need for child care services and subsidies, the types of child care selected by parents, and the prices paid for care vary widely from community to community. So do financial partners. In some communities schools take leadership, in other areas the city, town or county government is a major player. Businesses typically prefer that the contributions they make should be spent in the communities where their employees live and work; philanthropic dollars are generally targeted to specific neighborhoods or programs. In short, efforts to finance child care via public-private partnerships need to be flexible enough to leverage funds from a variety of local partners.

EMPLOYER AND PUBLIC SECTOR PARTNERSHIP

AUSTIN AREA EMPLOYER'S COLLABORATIVE ON DEPENDENT CARE INITIATIVES

DESCRIPTION

The Austin Area Employer's Collaborative (AAEC) is a coalition of small, medium, and large employers promoting the availability, accessibility and affordability of dependent care to benefit the current and future work force.

WHEN ESTABLISHED

A small group of employers and child care providers began meeting in1995 to discuss Austin's dependent care challenges and the resulting impact on local businesses. Austin Families, Inc. (a nonprofit organization offering child care resource and referral services) began managing the Collaborative in 1998. Later that same year, five companies (AT&T, Dell Computers Corporation, IBM, Harte-Hanks Direct Marketing and Motorola) began pooling financial resources to accomplish common goals with respect to dependent care. Three additional companies have since become partners.

ANNUAL AMOUNT

In 2000, the budget was approximately $260,000, which included some federal matching funds. The five companies pooled an initial investment of $125,000, and have continued to provide financial support. The Texas Workforce Commission Work and Family Clearinghouse also has provided some grant funds.

SERVICES FUNDED

Through the Quality Initiative Training Projects the eight partner companies provide specific funding to enhance child care for children of their employees. The AAEC conducts an annual survey that collects information about the partners' priorities, and funding is based on those priorities. The 2000 Quality Initiative Training Projects, called "Expanding Children's Horizons through Science," emphasize children's experience with science in preschool, before and after school and summer camp programs. Funds are being used for teacher training, mini-grants, resource kits and other materials and equipment. The 1999 Quality Initiative Training Projects included advanced family child care training (28 providers participated) and quality enhancement for infant and toddler programs (73 providers participated).

Information, resources and activities that promote employer awareness of dependent care options are provided to all interested employers either free or for a nominal cost. The collaborative currently has a mailing list of approximately 370 small, medium and large employers. Presentations, technical assistance, networking, a resource manual and a yearly employer conference are all available. Issues addressed range from those that affect the youngest dependents, such as how an employer can set up a lactation room, to those that focus on the oldest dependents, such as elder care options for employees.

HOW FUNDS DISTRIBUTED

The funds pooled by the partner companies benefit child care facilities that enroll children of parents employed by the companies. On an annual basis, the AAEC surveys the partner companies. Results of the survey determine the Quality Initiative Training Project funding priorities for that year. Other services provided, such as the resource manual, are available to any employer in the Austin area.

POPULATION SERVED

Austin area employers, employees and their dependents are served.

STRATEGIC CONSIDERATIONS

- The locations of corporate headquarters make a difference when negotiating. Only one of the partner companies has corporate headquarters in Austin. Negotiating successfully with multiple corporate headquarters (the locations at which resource allocation decisions are made) located in various far-away places brought many challenges, but proved successful.
- Having a corporate leader who can place phone calls and represent the initiative in the media is key. The collaborative benefited from having a very strong advocate in IBM, which had a long history of a corporate culture that advocated for children and families.
- It is important to understand roles. Decisions are not made by the coordinators (in this case, the staff of Austin Families). The coordinating role involves being a resource, providing information and doing the administrative and organizational work necessary to carry out decisions made by the businesses involved.
- In a recent survey of child-participants of the Quality Initiative Training Projects, it was noted that only 24 percent of the children participating had parents who were employed by one of the collaborative's partners. As such, children in general had enriched opportunities.

OTHER SITES WITH SIMILAR STRATEGIES

The Texas Work and Family Clearinghouse supports other employer collaboratives in Texas, including: Corporate H.A.N.D.S. of Houston (713) 840 0948 ext.120, Corporate Champions of Tarrant County–Fort Worth (817) 831 2111, San Antonio Smart Start (210) 225 0276 and Smith County Champions for Children (903) 534 0404. The American Business Collaboration for Quality Dependent Care also is profiled in this catalog, and can be found on page 116.

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CHILD CARE PARTNERSHIP ACT (FLORIDA)

DESCRIPTION

The Child Care Partnership Act is designed to encourage businesses to pay a portion of the cost of child care for their employees who earn low wages. When the legislation was implemented, matching funds were made available to employers who helped to subsidize the cost of child care for the low–income individuals they employed. The act created a nine–member Executive Partnership, composed of corporate leaders, which established specific guidelines and eligibility criteria for the program.

WHEN ESTABLISHED

The act was included as part of Florida's most recent welfare reform legislation, which was passed during the 1996 legislative session.

ANNUAL AMOUNT

In 1996, $2 million was appropriated for the initial, pilot phase of the Executive Partnership. $10 million was appropriated in 1999. All funds must be matched by the private sector on a one–to–one basis.

SERVICES FUNDED

The act funds child care subsidies for working families with low incomes.

HOW FUNDS DISTRIBUTED

The act specifies that funds will be administered by child care resource and referral agencies, the private nonprofit organizations that administer child care subsidies in Florida. Further details were developed by the Executive Partnership.

POPULATION SERVED

Working families with incomes at or below 200 percent of the federal poverty level (approximately $32,900 for a family of four for the year 2000) are served through childcare subsidies.

STRATEGIC CONSIDERATIONS

- The waiting list for subsidized child care had grown to more than 20,000 children statewide at the time the initiative was being developed.
- Members of the Florida State Legislature were looking for ways to encourage greater employer involvement in child care and began to explore the feasibility of developing a matching–grants program.
- Under the federal Child Care and Development Fund regulations, employer contributions can be counted as a match.

- The Florida Children's Forum and the Child Care Action Campaign held a child care symposium for employers and policy-makers. The Child Care Partnership matching-grants proposal was presented to the group and received favorably.
- A federally funded child care research partnership examined the employment patterns for families that receive child care subsidies and was able to identify, in several regions of the state, the specific industries in which workers receiving child care subsidies were likely to be employed. This put a human face on the data and helped legislators to understand who, specifically, would be affected by the legislation.
- There was bipartisan support for the act, which was included as part of the welfare reform legislation developed by a Republican member of the legislature. Additionally, a number of business leaders offered strong support for the legislation. The Executive Partnership also has promoted "An Hour a Week for Kids." Through this effort members of Florida's lobbying corps donate one hour per week to advocate for several critical child care issues that will improve Florida's education and economy.

OTHER SITES WITH SIMILAR STRATEGIES

No other examples of this strategy are known.

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TEMPORARY DISABILITY INSURANCE COVERAGE FOR MATERNITY LEAVE (NEW JERSEY)

DESCRIPTION

New Jersey's Temporary Disability Insurance (TDI) program has three components: the state plan, private plans and disability during unemployment. The state plan levies a tax on employers and employees of 0.5 percent of the first $21,200 of wages. Benefits are equal to two-thirds of a worker's weekly wages, up to a maximum of $401 per week, for up to 26 weeks. Employers are permitted, however, to provide disability insurance coverage to employees through private plans approved by the state. These plans must provide coverage that meets or exceeds state plan benefits with respect to compensation, eligibility requirements and payment duration. The state plan and private plans extend coverage to disabilities that begin within 14 days after the last day of employment. After the 14th day, disabled workers are covered under the disability insurance during the unemployment program. This separate program is administered as part of the unemployment compensation system.

WHEN ESTABLISHED

The New Jersey TDI program began in 1949, when $50 million was transferred from the Unemployment Insurance Trust Fund. Initially, coverage was given for all disabling conditions except pregnancy, which was added as a condition in 1961. The law was further amended in 1979 to comply with the federal Pregnancy Discrimination Act.

ANNUAL AMOUNT

Employees with an annual income of at least $21,200 pay $106 per year for TDI. The potential benefit, per employee per year, is $10,426 for 26 weeks—but pregnancy-related claims do not typically reach this maximum. Data for 1998 indicate that the average duration of pregnancy-related claims was approximately 81 days. (The average duration for all other benefits is approximately 82 days.) Pregnancy currently accounts for approximately one-sixth of all benefits.

SERVICES FUNDED

TDI benefits are limited to a non-occupational illness or disability, including pregnancy, and are based on weekly salary.

HOW FUNDS DISTRIBUTED

The state plan, and the disability during unemployment program, are directly administered by the Division of Unemployment and Disability Insurance. This agency is responsible for determining claimant eligibility and paying benefits. Private plans are administered by private insurance companies or through self-insurance.

POPULATION SERVED

Employed women who become unable to work as a result of pregnancy, and who were covered by a TDI plan, may file for TDI benefits.

STRATEGIC CONSIDERATIONS

- The benefits available under TDI, though very limited, can be an important source of support for unemployed mothers with low to moderate incomes. When combined with accumulated vacation and sick leave, TDI benefits can help a mother to stay home with her newborn child for several months.
- Partial wage replacement under TDI is an inexpensive way to support parental leave, and one that allows the cost to be shared by employers and employees. It helps to keep many low–income women off welfare and has not caused a significant economic strain on employers. Although the New Jersey TDI claims load has increased, the fund has remained solvent due in part to the fact that the taxable wage base is adjusted each year with increases in the average weekly wage. Interest income on the fund also contributes to its solvency.
- The cost of TDI benefits is considerably less than the cost of subsidizing infant care for low– and moderate–income families.
- Small–scale employers are particularly benefited by the New Jersey approach to TDI. In 1952, 72 percent of employees and 36 percent of covered employers were covered under private plans. Over time, however, smaller employers found that it didn't pay to have a private plan, and some private insurers found it was not profitable enough to compete with the state. More and more employers enrolled in the state plan. By 1994, only 21 percent of covered workers and 3 percent of covered employers used private plans. In 1998, 19 percent of employees and 3 percent of employers were covered under private plans.
- There are real limitations to what TDI can do. TDI is currently limited to a pregnancy–related "disability" that is corroborated by a physician. It may not be used to care for a newborn or an adopted child, and cannot be used by a father or other family member (since by definition, they did not become "disabled" by the pregnancy). The New Jersey Legislature, however, is currently considering legislation that would extend TDI coverage. A 1577 is a pure TDI plan that would provide replacement income for family members who must leave employment temporarily to care for a newborn or newly adopted child, or a seriously ill family member. An alternative measure, A 2037, would provide TDI coverage for a family disability and Unemployment Insurance for birth and adoption.

OTHER SITES WITH SIMILAR STRATEGIES

At least five states in addition to New Jersey have temporary disability insurance programs: Rhode Island (funded by employee tax); California (funded by employee contributions); New York (funded by employer tax or joint employer/employee contributions); Puerto Rico (funded by employers and employees), and Hawaii (funded by an employer and employee tax). Additionally, more than half of all workers in the United States receive TDI benefits from their employer through private insurance plans.

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COMMUNITY AND PUBLIC SECTOR PARTNERSHIPS

ACCREDITATION FACILITATION PROJECT FOR NEW JERSEY (NEW JERSEY)

DESCRIPTION

The Accreditation Facilitation Project for New Jersey is a public-private partnership. Its goal is to increase the number of child care centers accredited by the National Association for the Education of Young Children (NAEYC) from 130 to 260 over a two-year period. The project is statewide in scope, focusing 80 percent of its resources on early childhood programs serving the state's most disadvantaged children and families.

WHEN ESTABLISHED

The Accreditation Facilitation Project for New Jersey was planned and designed in 1998 and 1999, and implementation began in March 2000.

ANNUAL AMOUNT

The total amount of the funding committed for the two-year period is approximately $1.5 million. The partnership is financed by the State of New Jersey, the Schumann Fund of New Jersey, the Lucent Technologies Foundation, Johnson & Johnson, other New Jersey foundations and several members of the American Business Collaboration for Quality Dependent Care (ABC).

SERVICES FUNDED

The overall goal of the Accreditation Facilitation Project for New Jersey is to improve the quality of child care offered to children, particularly low-income children, by assisting 130 child care programs to become accredited. These programs are then positioned to take advantage of the higher state reimbursement rate available to accredited child care programs serving low-income children.

Nearly 60 percent of the resources are devoted to working with centers in what are known as the "Abbott Districts." As a result of school financing equity litigation in New Jersey, 30 school districts, which together serve 75 percent of the poor and minority students in New Jersey, are required to develop and offer high-quality prekindergarten child care programs for all 3- and 4-year-old children in those districts. (While the provision of the program is required, participation is voluntary.) The accreditation project provides up to $13,000 on a per center basis in the Abbott Districts.

The remaining funds are split between child care centers in New Jersey's Early Childhood Program Aid (ECPA) districts, in which at least 20 percent of the children enrolled are eligible for free or reduced-price school lunch, and non-ECPA centers. Although the number varies from year to year, through ECPA New Jersey provides support for preschool and related early childhood programs in 135 school districts (FY1999-00) serving low-income children, as well as other child care centers in New Jersey. Up to $9,800 is made available to the Early Childhood Program Aid centers and up to $7,400 is available to non-ECPA centers.

Financial resources to assist with a facilitated approach to accreditation, enhancement grants for use at the sites and scholarships for staff to pursue Child Development Associate and Certified Child Care Professional credentials, as well as associate's and bachelor's degrees, are available to all participating centers.

HOW FUNDS DISTRIBUTED

The lead organization for the Accreditation Facilitation Project for New Jersey is the New Jersey Professional Development Center, charged with enhancing professional standards, improving articulation among degree-granting institutions in early childhood and providing technical and financial assistance toward career development and accreditation. The center, in turn, has contracted with eight regional organizations to select participating centers, and provide technical and financial support towards accreditation. Each regional organization works with a cohort of approximately 16 child care centers.

POPULATION SERVED

The Accreditation Facilitation Project is focused on improving quality in child care statewide, particularly in areas serving low-income children. Along with centers served within the framework of the Abbott Districts and ECPA focus on low-income children, some centers are nominated by the funding partners from the American Business Collaboration.

STRATEGIC CONSIDERATIONS

- Planners of the initiative cite two significant factors that led to the project. First was the decision by the State of New Jersey to create a rate differential for accredited child care programs participating in the state's subsidized child care program. Planners believed that this would give programs a viable way to sustain better quality. Additional impetus came in large part through the Abbott v. Burke educational equity litigation. Through this litigation, the New Jersey Supreme Court ordered the state to fund the provision of preschool services for 3- and 4-year-old children in 136 school districts that serve New Jersey's low-income families. The court urged public school districts to collaborate with the existing community-based child care centers to provide these programs.

There are 550 child care centers in the Abbott Districts, but only 16 are accredited by the National Association for the Education of Young Children.

- Before the Accreditation Facilitation Project was established, the business and nonprofit sectors provided some early support for quality improvement through accreditation. This provided additional groundwork for the project.
- Active leadership from the employer community is credited with inspiring the initiative and gave impetus to its statewide nature. New Jersey is home to employers with an extensive, long-term commitment to improved quality in child care through support of accreditation. Their leadership and engagement was instrumental in bringing people together and in setting significant statewide goals for the project.

OTHER SITES WITH SIMILAR STRATEGIES

The New Jersey Accreditation Facilitation Fund is notable because it brings together substantial public and private resources in support of quality improvement through accreditation. Connecticut, through its 1997 School Readiness Act, achieved support for the Accreditation Facilitation Project in Connecticut, which reached out to more than 125 programs seeking to become accredited throughout Connecticut. The Chicago Accreditation Project established a city-based public-private pool of resources to assist programs serving low-income children to achieve and maintain accreditation. For more information on the Abbott v. Burke litigation, see the profile of Early Childhood Program Aid (ECPA) on page 86.

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CHICAGO ACCREDITATION PROJECT (CHICAGO, ILLINOIS)

DESCRIPTION

The Chicago Accreditation Partnership (the Partnership) is designed to improve the quality of child care and Head Start programs in Chicago's low-income communities through joint investments from the public and private sectors. The primary goal of the Partnership is to assist 400 urban child care programs achieve improved quality by pursuing and maintaining accreditation.

WHEN ESTABLISHED

The public-private financing for the Partnership was publicly announced by Chicago Mayor Richard M. Daley (D) in October 1998 and was implemented in January 1999. Prior to this announcement, the nonprofit sector had established a pilot version of the project, starting in 1994, that sought to assist 46 child care programs in becoming accredited. (As of 1999, 82 percent had achieved accreditation.)

ANNUAL AMOUNT

The total amount of the funding committed for the five-year duration of the Chicago Accreditation Partnership is $16 million, of which the City of Chicago and the McCormick Tribune Foundation each committed $5 million. The remaining funds were secured through business and philanthropy. Other funding partners included the American Business Collaboration for Quality Dependent Care (ABC), Harris Foundation, MacArthur Foundation, Polk Bros. Foundation, Prince Charitable Trusts, Pritzker Cousins Foundation and United Way/Crusade of Mercy Success by 6®.

SERVICES FUNDED

The overall goal of the Partnership is to improve the quality of child care offered to low-income children in Chicago by assisting 400 child care and Head Start programs in pursuing accreditation. (This equals nearly one-third of the licensed child care providers serving low-income children and more than one-quarter of the total child care programs in the City of Chicago.) Funds are used to assist child care programs to pursue, achieve and retain accreditation, with the goal of increasing community demand for accredited child care. The Partnership recognizes a number of accrediting bodies, including: the National Academy of Early Childhood Programs (sponsored by the National Association for the Education of Young Children); the National Early Childhood Program Accreditation; the Council on Accreditation of Services for Families and Children, Inc.; the National Association for Family Child Care, and the National School-Age Alliance.

The Partnership uses its funds in two primary areas. First, significant emphasis is placed on consultation and technical assistance on an individualized basis at child care program sites. This includes staff resource materials, professional staff development, and resources for families. Based on the experience of the pilot phase, the Partnership increased the proportion of funding dedicated to consultation and technical assistance, which are available both pre- and post-accreditation. The second area, child care program improvement, is supported through a grant program that provides funding for facilities and equipment. Funds may be used for renovation, remodeling, furniture and equipment needs in the classroom. In addition to addressing these two primary funding areas (consultation/technical assistance and improvement grants), the Partnership is responsible for the development of a public awareness campaign and an evaluation.

HOW FUNDS DISTRIBUTED

The Chicago Accreditation Partnership, an independent nonprofit organization, is responsible for overseeing the disbursement of funds and managing the overall effort. The Partnership provides consultation and program funds to eligible child care programs.

Partnership sites must participate in subsidized child care provided through contracts with the Chicago Department of Human Services or the Illinois Department of Human Services. These contracted child care subsidy programs work in concert with child care centers, Head Start programs and family child care homes. Additional factors used to determine program participation include the director's tenure (which must be at least one year) and geographic and ethnic diversity. A readiness index was developed during the pilot phase of the accreditation project that preceded the Partnership, which is used to assess the programs applying to participate in the Partnership. The Partnership provides funds to programs without regard to the program's profit status, although for-profits must ensure that enrollments consist of at least 50 percent subsidy-eligible children.

Funds are distributed based on a plan for quality improvement that is jointly developed by the Partnership staff (and its consulting technical assistance partners) and the staff of the individual child care program after initial program observations have occurred. The amount of funding for any one child care program is set on an individual basis and is linked to classroom observations and the recommendations made in the quality improvement plan. Individual programs are required to comply with licensing regulations and must demonstrate how they will address any licensing concerns noted during the initial application phase.

POPULATION SERVED

The Partnership is open to child care and Head Start programs in Chicago in which at least 50 percent of the children enrolled participate in Illinois' subsidized child care program. The Partnership anticipates expanding the program to include family child care homes during the course of 2000.

STRATEGIC CONSIDERATIONS

- The pilot that ran from 1994 through 1998, and its positive results, was central to the mayor's decision to become a primary financing partner in the Partnership. The pilot also is credited with having achieved the necessary initial results to interest philanthropists beyond the McCormick Tribune Foundation, which has had a long-standing interest in program improvement through accreditation. The programmatic offerings of the Partnership also were influenced by the pilot project. For example, the Partnership works with three subcontractors, Ecumenical Child Care Network, Office of Catholic Education and National-Louis University, to provide individual consultation and technical assistance to the participating programs. This is an innovation added after the pilot phases ended.
- In developing the initial pilot, and then the Partnership, the executive director of the Partnership learned that the accreditation goal could be not reached without an additional focus on the credentials of the staff of the child care programs. As a result, it became necessary to use other resources to assure that child care staff and teachers could obtain appropriate credentials and degrees. This was done by forging relationships with local colleges and universities. It was necessary to leverage existing financial commitments, such as the City of Chicago's financial commitment that supported the Child Development Associate (CDA) credential.
- The Partnership has been affected by the general problem of staff turnover in the child care field, and the length of time required for accreditation is growing as programs find it more difficult to fill open staff positions. The Partnership believes this problem is more acute for those programs in which accreditation has taken hold, and in which the standards for staff qualifications and overall staff quality have been raised.
- Two factors were cited as having made it possible to obtain the $5 million financing commitment from the City of Chicago for the Partnership. First, the existing designation of the City of Chicago's Department of Human Services as the State of Illinois' contractor for the subsidized child care program meant that there was a strong child care knowledge base within city government. Second, Chicago's mayor had a strong interest in education reform and was open to a city-based investment as part of his education reform agenda.
- Initially the developers of the Partnership sought to achieve a public-private partnership with the State of

Illinois. The state did not see quality enhancement in the City of Chicago as a priority. However, in the course of the mayor's signing off on requests for state funding, the city's public policy staff recognized the connection between the accreditation plan and the mayor's education reform agenda, and thus recommended that the city take the lead with its own funding base.

- The Partnership strives to do its work with the child care programs using a grass-roots, bottom-up approach. At times this has proven to be a challenge: issues of board, organizational and parent commitment have arisen. Sometimes large multisite or multi-issue organizations have not had the necessary level of support from their own agency executives, and additional demands have been placed on the Partnership's executive director.
- The urban nature of the pilot project and the Partnership has required the accrediting associations to respond to community diversity. Specific challenges have included providing both self-study materials and individuals to conduct validation visits in multiple languages.
- The Partnership is now challenged to create structure that is more visible and can assist in meeting the organizational goal—to create a permanent financing mechanism in support of accreditation. Over time, the Partnerships seeks to institutionalize itself, becoming more visible in the city while retaining the success of the pilot in working with child care programs using a community-focused, grass-roots approach.

OTHER SITES WITH SIMILAR STRATEGIES

The Partnership is unique in the depth of its funding and its reliance upon the resources of public and private partners. Connecticut, through its 1997 School Readiness Act, has achieved public sector support for the Accreditation Facilitation Project in Connecticut to reach out to more than 125 programs seeking to become accredited throughout Connecticut. The Connecticut profile is available on page 70. New Jersey's Accreditation Facilitation Project, profiled on page 144, and Child Care Matters Southeastern Pennsylvania initiative, on page 124, have some similar program features.

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EDUCARE (COLORADO)

DESCRIPTION

Educare Colorado is a nonprofit initiative, that draws on funds from the private and public sectors. Educare focuses on improving the early learning in child care programs that enroll Colorado's youngest children, from birth through age 5. The initiative seeks to impact the quality of child care for young children and to fully involve parents in their role as teachers and decision-makers.

DATE OF ESTABLISHMENT

Educare was formed in 1997, when a coalition of business, philanthropic, political and community leaders united to enhance early childhood development in Colorado. A staff was organized and put into place in 1998.

ANNUAL AMOUNT

Educare Colorado seeks to raise an initial fund of $40 million in support of its efforts. By the end of 1999, $10 million had been committed, enabling Educare Colorado to implement its pilot phase. Local county government is a significant financial partner for Educare Colorado because of the devolved nature of human services funding in the state.

SERVICES FUNDED

By early 2000, Educare Colorado was completing a pilot phase in three counties at 22 sites serving 1,100 children and their families. Plans were in place to move to the next phase in three to five additional communities, serving 500 children in each community.

A portion of Educare Colorado focuses on providing parents with consumer-friendly assessment tools to help them select child care. A new rating tool that functions as a short-hand measure to assess overall program quality is being provided to parents. This rating tool, which uses one to four stars, is based on existing instruments to assess classroom environment (e.g., ECERS), parental involvement indicators, credentialing of teaching staff and accreditation. The research in the national *Cost, Quality and Child Outcomes in Childcare Centers'* study was used to develop the rating system. Educare Colorado's intention is that the rating system will drive public reimbursements for child care, with unrated programs receiving significantly less from the local governmental public payor than those with four stars. Two of the counties participating in Educare are piloting higher reimbursement rates for child care providers using the rating criteria.

Educare Colorado also provides a range of services to assist local communities to improve their programs, working hand-in-hand with providers. This portion of the initiative provides technical assistance, equipment and training to participating programs with a focus on improved teacher education, compensation and retention. Educare Colorado, in conjunction with the Colorado Association for the Education of Young Children, developed a database of approved trainers and mentors, and contracts with these individuals and organizations (e.g., community colleges). Equipment and minor facility improvement needs are assessed in conjunction with the technical assistance staff.

Educare Colorado also is launching a public education campaign addressed to parents that emphasizes the importance of early learning and demonstrates that parents can partner with child care and early education programs to improve the lives of their children.

A public policy component is being planned to accompany Educare Colorado's community-based work with parents and with child care programs. It is anticipated that public policy work, arguing for the state's role in a "social contract" for early childhood education, will grow over time.

HOW FUNDS DISTRIBUTED

Educare Colorado is completing what it calls "alpha" testing of its system redesign in three Colorado counties. A total of 22 sites, consisting of 91 classrooms serving 1,100 children, are involved. The funds made available by Educare Colorado are used to support training as well as to improve facilities and equipment. Existing training infrastructure is used whenever possible. Educare Colorado does not have predetermined spending limits to assist with quality improvement in the participating communities. Educare Colorado makes all the purchasing arrangements, including training, services and equipment, on behalf of the sites with which it is involved.

POPULATION SERVED

Organized child care programs (home providers, nonprofit and for-profit centers) are the targets for Educare Colorado's quality improvement efforts. Through the public education, public policy and rating systems for child care, Educare Colorado intends to eventually reach all families and providers in Colorado and to change the purchasing patterns of the Colorado child care market.

STRATEGIC CONSIDERATIONS

- Educare Colorado grew out of the work of the Colorado Business Commission on Child Care Financing, a governor's initiative designed to bring business leaders together to identify and implement ways to improve child care financing. Through the Business Commission, Colorado implemented a voluntary tax checkoff strategy. (See the profile on page 28.) The Business Commission provided an opportunity for key business leaders in the state to develop expertise and commitment to improved financing and quality of child care.
- The Business Commission's chair sought to develop additional, market-based approaches to improve child care when the Business Commission ended its work. An initial effort was made by business leaders to stimulate substantial philanthropic investment in child care in Colorado. However, the philanthropic leaders insisted that they would not provide further support without deepening the engagement from the business community. A series of leadership forums was held to develop an accountable community plan to create and sustain high quality child care in Colorado. This allowed a broader group of individuals to commit to a joint set of values and expectations, which became Educare Colorado. Educare had appealed to traditional proponents of child care (e.g., providers, early childhood educators, public administrators) as well as to more conservative groups that have traditionally been considered opponents of child care and early education.
- Educare Colorado's approach to improving the effectiveness and outcome of child care services is based on changing the market behavior of two large purchasers of child care in Colorado: parents and local government.
- Recruitment of a diverse, interdisciplinary group of employees, with expertise in business, marketing and early childhood education, led to the initial acceptance and success of Educare.
- The individuals involved with Educare Colorado have been able to create a win-win situation, providing a diverse array of stakeholders in child care with a forum to be heard, to identify common ground and develop an action plan. Included in the strategic alliances in support of Educare Colorado are the Denver Mile High United Way; The Integer Group, an integrated marketing firm; the Clayton Foundation; The Colorado Forum, a business advocacy organization; the Colorado Association for the Education of Young Children, and the Colorado Office of Resource and Referral Agencies.
- Educare Colorado has invested time in creating a unified vision and a clear set of expectations about quality and a system by which to measure it. Educare Colorado is concerned about the difficulty of creating a workable definition for quality, and it has invested time and effort in developing the star system. The market research on parental views of child care conducted by Educare confirm that parents are often ambivalent about child care. In response to this, Educare seeks to affirm the decisions that parents are making rather than underscoring ambivalence about child care. The rating system provides parents with information about child care, and does it in a straightforward manner (e.g., by counting the number of stars).

OTHER SITES WITH SIMILAR STRATEGIES

Other communities are leveraging public and private funds to improve child care quality. Beyond the profiles in this book, the effort in Cuyahoga County (Ohio) is noteworthy. For more information call (216) 698 2875.

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FOOTNOTES

1 Cost, Quality, and Child Outcomes Study Team (1995). *Cost, Quality and Child Outcomes in Child Care Centers.* Denver: University of Colorado.

ROCHESTER/MONROE COUNTY EARLY CHILDHOOD DEVELOPMENT INITIATIVE (NEW YORK)

DESCRIPTION

The Rochester/Monroe County Early Childhood Development Initiative (ECDI) promotes broad commitment and collective responsibility for quality early childhood care. A committee of 15 early childhood leaders meets eight to ten times per year to advance and monitor the community's early childhood priorities, which are periodically affirmed and amended at community-wide meetings. The group works as a whole and in subcommittees to develop solutions, which may include strategies relating to individual agencies or collaborative approaches to financing, implementing, evaluating and monitoring services.

WHEN ESTABLISHED

The Early Childhood Development Initiative began in 1990.

ANNUAL AMOUNT

ECDI is neither a funding nor a fundraising organization. A broad spectrum of ECDI members support quality early childhood care through state and local child care subsidies (approximately $40 million in 2000), Rochester City School District programming for 3 and 4-year-olds (more than $10 million), funding from the United Way and other local foundations ($3-5 million) and additional funding for programs such as Head Start and the Diocese of Rochester preschool programs. The value of ECDI within this framework is the collaborative effort to ensure that dollars are supplied in support of quality, not custodial, care.

HOW FUNDS DISTRIBUTED

Since ECDI is not a funding body, it does not have a method of distributing funds as a collective.

SERVICES FUNDED

Members of ECDI have individually and collaboratively funded: The accreditation of more than 40 child care centers and 80 child care homes; provision of support services for special needs children; special training modules for class enrichment; numerous parent outreach and parent support efforts; playground construction; research on behavior problems, and services available to address them; information on the effectiveness of various child care environments; parent outreach through training health providers in ECE, and early literacy and family literacy programs.

Results to date are encouraging. In 1990, only 39 percent of students in the Rochester City School District passed the kindergarten screening without any difficulty, and 33 percent of students were noted to have multiple problems. By 1997, 62 percent of students had no difficulties, and only 9 percent had multiple problems. (The kindergarten screening includes evaluation of language, motor skills, cognition, vision and hearing).

POPULATION SERVED

ECDI has defined "at risk" 3- and 4-year-olds in the City of Rochester as a priority. The nature of the collaborative, however, is such that the member organizations, including some of the programs noted above, may serve the entire county or multiple counties, and often serve children from birth through age 8.

STRATEGIC CONSIDERATIONS

- Members of ECDI were initially convened by Rochester Mayor Thomas P. Ryan (D) to consider the conclusions and recommendations developed by a special task force and corroborated by a demographic study done by the Center for Governmental Research (both funded by the Rochester Area Foundation). The group was charged with developing a feasible strategy that would advance the community agenda, including practical funding recommendations. It became evident that progress on early childhood development issues required agreement on priorities, and that no participant standing alone could finance – or gain the commitment of community leaders to finance – the necessary array of projects.
- Thinking – and working – systemically required the members of ECDI to focus on services rather than providers. This distinction has been critical to the approach to program evaluation and systems change. In some cases, this focus changed the relationship between funders and service providers, and fostered new approaches to accountability and fund allocation.
- ECDI members take great pride in this initiative, which has continued to operate for ten years based on the voluntary participation and commitment of community partners. This informal organizational structure allows ECDI to operate as a "neutral" body, with a volunteer facilitator and no single sponsor or funder. Members of the group were pushed to think systemically, maintain communication and work together.
- The periodic community-wide forum ensures inclusion of varied viewpoints, and generally provides buy-in from a wide array of early childhood service providers.
- State and local agencies are included in the initiative. For this reason, a separate early childhood advocacy committee is responsible for lobbying efforts.
- The nature of a broad community collaboration has dictated that ECDI avoid proposals considered "radical" or define goals perceived as "impossible" to reach as priorities until consensus has been built. Ten years ago, salaries were identified as a critical but "impossible" problem. After ten years, a consensus has been reached and it is now acceptable to move salary increases to the top of the priority list.

OTHER SITES WITH SIMILAR STRATEGIES

The McCormick Tribune Foundation in Chicago has headed a similar multiyear initiative, addressing many of the same problems and solutions as the Rochester collaboration. The Nassau county (New York) Child Care Collaboration has a similar accreditation priority, and it brings together a spectrum of early childhood providers to address community-wide issues.

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SMART START (NORTH CAROLINA)

DESCRIPTION

Smart Start is a comprehensive initiative designed to make early childhood education and support services available to every child under 6 years of age whose family needs and wants those services. The initiative also seeks to ensure that early childhood programs and family services meet high quality standards and performance measures. The overall goal of Smart Start is to ensure that every child begins school healthy and ready to succeed.

WHEN ESTABLISHED

Smart Start was proposed by Governor James Hunt (D) and passed by the General Assembly in 1993.

ANNUAL AMOUNT

In FY1998–99, the state legislature appropriated a total of $220 million. Amendments passed in 1995 require the North Carolina Partnership for Children (the Smart Start administrator) and local partnerships to match 10 percent of the annual Smart Start appropriation. (No more than half of this match may be in-kind donations.) In 1999, Governor Hunt and local partnerships raised $19 million in contributions from the corporate sector. Since 1994, Smart Start has raised almost $50 million in matching cash and in-kind contributions.

SERVICES FUNDED

While Smart Start funds may be used for a diverse array of services, most of the funds have been directed to providing early childhood care and education, immunizations and children's health services, and family support services for children of low- and moderate-income families. Many counties have used Smart Start funds to reduce waiting lists for subsidized child care as well as to raise income eligibility levels and/or child care provider reimbursement rates. The WAGE$ Project, which provides salary support, grew out of Smart Start, and is profiled separately on page 66. In addition, a statewide health insurance program emerged from Smart Start, which is profiled on page 69.

HOW FUNDS DISTRIBUTED

The state awards Smart Start funds to counties through a competitive grant application process. To qualify, local applicants are required to establish private, nonprofit partnership boards to govern and coordinate local programs. The local partnerships must include families, educators, nonprofits, service providers, community groups, religious and business leaders and county and municipal officials, and they must develop a plan for collaborative child and family development services in their area. Smart Start funds are made available to help support implementation of the plan. At present, 83 local partnerships covering all 100 counties are participating in the initiative.

The Smart Start legislation established a state-level, private, nonprofit entity – the North Carolina Partnership for Children – exclusively to oversee the activities of local Smart Start initiatives. The partnership has established statewide goals and outcomes that serve as a framework for the local partnerships. Additionally, it offers technical assistance to local partnerships and helps to raise matching funds. Funds flow to the counties via contracts with the North Carolina Partnership for Children.

POPULATION SERVED

All children from birth through age 5, their families and communities are potential beneficiaries of Smart Start funds.

STRATEGIC CONSIDERATIONS

- From its inception, Smart Start has had a significant influence on overall child care policy in the state. For example, the Smart Start bill was packaged with, and helped to pass, a number of child care system reforms that a bipartisan legislative commission had been working on for several years. These included legislation to improve staff-to-child ratios in child care settings, increase child care subsidy funds and increase the state child care tax credit for lower-income families. This year, North Carolina is implementing a five-star child care rating system to assist consumers.
- Smart Start was a centerpiece of Governor Hunt's campaign and clearly stressed that "parents have the primary duty to raise, educate and transmit values to young preschool children." The initiative seeks to help parents fulfill this role by empowering families and supporting the communities in which they live. Every aspect of its implementation has been carefully audited, and lengthy legislative battles have been fought over funds for the initiative. These battles have intensified over time; candidates have won and lost because of their positions on Smart Start.
- Smart Start funds are not limited to poor families who need child care. Local initiatives can address issues that affect all socioeconomic levels, and may include family support services such as parenting education, child development, health care, literacy and others.

(One local plan includes vouchers for stay-at-home caregivers; others support vans to provide transportation to services, and so forth.)

- The focus on planning and outcomes promotes accountability, vision and leadership. In addition to providing flexible funds, the initiative encourages counties to establish local capacity to collaborate in the planning and delivery of services to children and families. The focus on collaboration and public-private partnerships helps to involve a broad constituency.
- Prior to the introduction of Smart Start, a bipartisan legislative research commission had reviewed many aspects of the child care system and recommended a number of reforms. Thus, key members of the legislature already understood child care needs and concerns and were ready to work with the executive branch when Smart Start was proposed.
- Political pressure to show results as soon as possible and to build a broad constituency of support led to rapid implementation and expansion. The fast pace of the initiative required counties to develop a plan and begin providing services almost immediately after the grant was awarded. This time line put a lot of pressure on local partnerships and the state administrative office.
- The design of Smart Start ensures both accountability and initiative. Planning and decision-making is at the local level, and local partnerships have been creative in using Smart Start money. Local partnerships exercise creativity within a framework of guidance and support and oversight from the state partnership. The state partnership offers significant technical assistance and program development resources to local partnerships, approves local plans and reviews annual audits of local partnerships.
- A major goal of Smart Start is to reform the systems of services that affect young children and promote inter-agency collaboration for the benefit of all children. Local partnerships are generally succeeding with collaboration for service delivery. As local partnerships expand their efforts to focus on system reforms, the state partnership is developing strategies such as inter-agency and state-local advisory groups to bring the system issues from the local level to the leaders of state agencies. The North Carolina Partnership has a State Collaboration Committee to address system issues and policy recommendations at the state level.

OTHER SITES WITH SIMILAR STRATEGIES

South Carolina has adopted a similar approach modeled on Smart Start, called First Steps. For additional information, contact the South Carolina Department of Education at (803) 734 8492.

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THE T.E.A.C.H. EARLY CHILDHOOD® PROJECT (NORTH CAROLINA)

DESCRIPTION

The T.E.A.C.H. (Teacher Education and Compensation Helps) Early Childhood® Project provides educational scholarships for child care teachers, center directors and family child care providers statewide.

WHEN ESTABLISHED

The project was piloted in 1990 and provided scholarships for 21 child care providers. It has grown steadily, and by 1999 more than 4,800 child care providers had participated in the program.

AMOUNT GENERATED ANNUALLY

The project has received state funds since 1993, with a FY1999–2000 allocation of $2.2 million. The amount of funding varies annually, and represents a combination of both private and public dollars. Federal funds from the Child Care and Development Fund, and corporate and foundation grants all contribute financially.

SERVICES FUNDED

All scholarships funded through the T.E.A.C.H. Early Childhood® Project provide partial funds for tuition and books and include a travel stipend for individuals who are interested in achieving formal education leading to the attainment of the North Carolina Early Childhood Credential, the Child Development Associate (CDA) credential, the North Carolina Early Childhood Administration Credential and associate's and bachelor's degrees in child development. Wage increases or bonuses are provided upon completion of an agreed–upon number of course hours or upon attainment of the North Carolina Child Care credential. Some scholarships provide partial reimbursement to child care center sponsors or direct payments to family child care providers for release time.

HOW FUNDS DISTRIBUTED

Once awarded a scholarship, recipients are allowed to charge their tuition at their respective educational institutions. They are reimbursed for the agreed–upon portion of the cost of their books, and they receive a travel stipend.

Sponsoring programs are billed for their share of tuition and are reimbursed for release time given to scholarship participants. Family child care providers are also reimbursed for release time taken. Bonus awards or raises are paid directly to the scholarship participant either from their sponsoring program, the T.E.A.C.H. Early Childhood® Project or a combination of the two.

POPULATION SERVED

Scholarship eligibility is extended to center–based teachers and directors and family child care providers who work 20 to 30 hours per week in a regulated child care setting in North Carolina.

STRATEGIC CONSIDERATIONS

- The T.E.A.C.H. Early Childhood® Project was based on research about North Carolina's early childhood work force. The project was established to: increase the knowledge base of child care staff and therefore improve the quality of early care and education that children receive; encourage child care programs to support continuing staff education; offer a sequential professional development path for child care personnel; link increased compensation to training; reduce staff turnover, and create model partnerships focusing on improving the quality of child care. The T.E.A.C.H. Early Childhood® Project has received bipartisan support because it helps teachers and family child care providers help themselves.
- T.E.A.C.H. is not perceived as a big government program. The focus is on providing a framework to help community–based organizations and individuals work together to solve problems. The T.E.A.C.H. Early Childhood® Project is flexible enough to adapt to individual needs and circumstances.
- Funds are available in every county in the state and use broad eligibility criteria for scholarship recipients (including staff in many Head Start, nonprofit and proprietary child care programs), thereby reaching a broad constituency.
- Child care quality is raised without significantly increasing parent fees and without more regulations.
- Funds are leveraged from the private sector through corporations and foundations.
- Direct incentives are provided for the higher education system to become more responsive to the educational needs of the child care work force. (Early childhood courses are given by – and tuition paid to – community and technical colleges across the state.)

OTHER SITES WITH SIMILAR STRATEGIES

A license to replicate the T.E.A.C.H. Early Childhood® Project has been issued to not–for–profit organizations in Georgia, Florida, New York, Pennsylvania, Colorado, Idaho, Indiana, Wisconsin and Illinois. Several other states are exploring the feasibility of pursuing a license to replicate the project. The Early Childhood Professional Development Project in Corning, New York, is similar in some respects. For more information, contact Thomas Blumer at (607) 974 6071.

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CAPITAL INVESTMENT PARTNERSHIPS

SECURING FUNDS FOR CHILD CARE FACILITIES

Most large and small businesses borrow funds when they need to improve or expand their facilities. But child care businesses—especially nonprofit programs located in low-income neighborhoods—often have trouble securing loans. There are several reasons for this lack of credit-worthiness. First, many child care programs were established in space that was donated or made available to them at very reduced rent, and the rates they currently charge are based on these low occupancy costs. In these cases, incurring debt means raising parent fees or securing increased reimbursement rates from the government agencies that subsidize child care. Second, child care programs often do not have the equity they need to secure a loan. (Child care facilities are designed for a very specific purpose, and as a result they do not appraise well.) Third, child care operators typically know more about teaching young children than they do about financial management, fundraising or facility construction or renovation.

Many state and local governments have established initiatives to help child care businesses secure the capital they need to build and maintain quality facilities and/or programs. In some cases, these strategies are led by government. Connecticut, for example, has made long-term, low-interest construction and renovation loans available through tax-exempt bond funding. Additionally, the Connecticut Department of Social Services has agreed to use state subsidy funds to repay up to 85 percent of the debt service on these bonds so that selected nonprofit child care programs have the revenue they need to repay the loans. More information may be found on page 72.

Other states have chosen to root their capital investment strategies in the private sector, primarily through "intermediary" organizations that help to draw in funds and support from many partners. The Massachusetts Child Care Capital Investment Fund was initiated by the United Way and now pools moneys from many sources, including foundations, government, banks and insurance companies. The City of San Francisco pooled public and foundation dollars to seed a private sector child care facilities fund that is now able to leverage additional funding from the federal government and many other sources.

The capital investment initiatives in North Carolina, Ohio and Illinois are also led by private-sector intermediaries, although government is a key partner.

In recent years local school districts have begun to enter into new partnerships to finance facilities. The New York City Board of Education worked with the City's Agency for Child Development (which administers child care subsidy funds) to build four early childhood care and education centers that serve children from 2 to 5 years of age. The Fairfax County (Virginia) schools include capital funding for school-age child care programs when they issue general obligation bonds. The county operates the programs and makes funds available to help repay the debt. The New York City and Virginia efforts are profiled in Chapter 2, "Allocating Public Revenues," in the section on local government.

The partnerships spearheaded by the Kennebec Valley Community Action Program (KVCAP) in Maine are forging new ground. These partnerships are not only involving schools, local government, banks, employers and others, but also are demonstrating that early childhood programs are a community resource. For example, the early childhood program in Hartland, Maine, is housed in a community center attached to the local school. This facility, which also houses a host of community services and recreational programs, was jointly financed by Head Start, the Irving Tanning Company, local banks, the Maine Department of Economic Development, a community capital campaign and a school district referendum.

Each of the partnerships described in this section leverage funds from private sector lenders. Some states are, however, taking the concept of leverage to a new level and beginning to use capital funding to promote stronger accountability and quality improvement. One example is Florida's Child Care Financial Assistance Program, which is administered by Barnett Bank. The child care providers who borrow these funds may receive a rebate of up to 100 percent of their principle if they becomes accredited or reach other quality milestones within six months of loan repayment.

CAPITAL INVESTMENT PARTNERSHIPS

CHILD CARE FACILITIES FUND (SAN FRANCISCO, CALIFORNIA)

DESCRIPTION

The Child Care Facilities Fund (CCFF) was established to address the need for funds to build and renovate space for child care in the City of San Francisco. The CCFF currently offers four types of assistance:

1. The Child Care Center Assistance Program, which includes: capital and predevelopment grants; zero interest mini-loans to support planning; short term direct loans; long term, subsidized loans, and access to conventional loans on favorable terms through CCFF guarantees or interest rate write-downs.
2. The Family Child Care Assistance Program, which includes recoverable grants of up to $10,000 to meet the one-time capital expenses of licensed family child care providers.
3. Emergency Grants (The Flex Fund) of up to $10,000 to cover the immediate costs of repairs that would otherwise require a provider to shut down an operation. These grants may be disbursed within as few as 10 working days.
4. One-on-one technical assistance, workshops, classes and publications for child care providers, focused on facilities development and business management.

WHEN ESTABLISHED

The Child Care Facilities Fund began in March 1998.

ANNUAL AMOUNT

In 1997 the following funds were pooled and used to "seed" the CCFF: $200,000 from the City of San Francisco (from developer fees and the general fund), $300,000 from the Miriam and Peter Haas Fund and $400,000 from Providian Financial Corporation.

Since its inception, CCFF has raised a total of $4.88 million from private and public sources (the city and federal Community Development Financial Institution funding). In addition, working in partnership with the City of San Francisco, CCFF has secured $10 million in loan authority from the HUD Section 108 Loan Program. These loans finance both new construction and renovation and are backed by a commitment by the city Department of Human Services to subsidize up to 80 percent of the borrower's loan payments. The city appropriates $600,000 each year to help repay the debt on Section 108 loans.

SERVICES FUNDED

Construction and renovation of nonprofit child care centers and eligible capital expenses in family child care homes, and training/technical assistance to child care practitioners on financial management and facility development issues are provided. Typical projects include: expansion of a child care center to increase the number of children served; improvements to outdoor play space that result in improved safety and better quality of care; renovations to the basement of a family child care home to increase the number of children served; inclusion of a new child care center in an affordable housing development, and hosting of workshops on available funding sources, including debt-financing for childcare.

HOW FUNDS DISTRIBUTED

With the guidance of a 23-member Program Advisory Committee, CCFF is administered by the Low Income Housing Fund (LIHF), an experienced nonprofit lender and community development financial institution. LIHF developed underwriting guidelines (in consultation with the initiative's funders), reviews applications and services the grants and loans.

POPULATION SERVED

Nonprofit child care centers and family child care homes that serve low-income children in the City of San Francisco are the beneficiaries.

STRATEGIC CONSIDERATIONS

- The CCFF has succeeded in involving stakeholders at all levels in a coordinated, local strategy to expand the supply and improve the quality of child care in the City of San Francisco. Strong and early support from several high-level champions and the leadership provided by an experienced, local, nonprofit lender—LIHF—were key to this success.
- Effectively administering a child care loan pool requires funding that is flexible enough to allow the administrator to use a range of strategies, including: mixing grants and loans, "buying down" the interest rate and leveraging private sector debt.
- Technical assistance is also key to success. Child care providers need skills in facilities development and business management; some need intensive one-on-one assistance.
- The LIHF learned early on that most nonprofit programs could not carry debt without a source of subsidy to help repay the loan (i.e. they could not just raise their fees.) One way that CCFF helped address this need was by negotiating an agreement with the city Department of Human Services to repay 80 percent of the debt on Section 108 loans. These loans are targeted to programs that predominantly serve low-income families.

- CCFF used grant funds to help jump-start projects that might otherwise languish for lack of equity, promote the development of new slots for infants and toddlers, help family child care providers pay for one-time capital expenses and to cover emergency repairs.
- The leadership provided by CCFF also spawned a new initiative called "Adopt a Child Care Center," which matches local construction companies that are willing to donate volunteer time and materials with nonprofit child care centers that need renovations in order to expand, maintain or improve their programs. Fifteen child care programs, serving more than 1,200 children, were served in 1999 through this effort.

OTHER SITES WITH SIMILAR STRATEGIES

Many states and communities have established child care facilities funds. The Massachusetts Child Care Capital Investment Fund (see page 156) is similar to CCFF.

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CHILD CARE CAPITAL INVESTMENT FUND (MASSACHUSETTS)

DESCRIPTION

The Child Care Capital Investment Fund (the Fund) pools funds (grants and loans) from public and private sources, including foundations, government entities, banks and insurance companies, and re-lends them to nonprofit child care providers serving low-income children in Massachusetts. The Fund makes loans and provides technical assistance, serving as an intermediary between child care providers and financing entities. The Fund also administers several grant programs in collaboration with other agencies, using funds contributed by foundations, as well as state and local sources.

WHEN ESTABLISHED

The Fund began as a partnership between foundations and corporations. In 1992, an initiative of the United Way of Massachusetts Bay brought together a group of Boston area foundations and corporations as collaborative child care funders. The Ford Foundation also contributed grant money, resulting in an initial capital pool of $2.5 million. The Fund started out by making loans to child care providers in the Boston metropolitan area, but it has recently expanded its lending program to providers throughout the state.

ANNUAL AMOUNT

The Fund's lending volume in recent years has ranged from $300,000 to $700,000 annually. In the past, the Fund has had more capital than demand for loans, though that trend is changing as providers learn about the availability of Fund loans. In 1999, the Fund raised $1 million for its loan capital pool from a "participation loan" from four local banks (Citizens Bank, Fleet, Boston Private Bank and Wainwright Bank) with each lender contributing $250,000. The Fund is in the process of negotiating $5 million in additional funds from insurance companies, although the details of the loan are not yet final.

SERVICES FUNDED

Child care loans are made to child care centers, multiservices centers, family day care systems, school-age child care programs and Head Start programs. Child care providers can use the loan for any capital project that expands or improves their physical space or equipment or that improves program quality.

HOW FUNDS DISTRIBUTED

Child care providers must submit an application for a loan to the Fund. Loans of $15,000 or less can be reviewed and approved by Fund staff. Loans of greater sums must be approved by both the Fund board's Investment Committee and by the full board of the Community Economic Development Assistance Corporation

(CEDAC). Staff and consultants to the Fund spent a good deal of time thinking about how much debt child care providers could afford to carry. Initially, the Fund offered term loans of up to $120,000, which worked out to a monthly loan payment of approximately $1,500. Recently, the Fund increased this amount to $300,000, which translates into a monthly loan payment of approximately $3,500. Loans are currently being offered at 7.5 percent interest rate and are available for one to ten year terms, depending on the project. So far, the Fund has awarded only one $300,000 loan. In reviewing loan applications, Fund staff members consider a provider's overall operations budget to determine what kind of debt it can afford. Many child care providers have limited knowledge about the amount of debt that would be reasonable for their program. Fund staff are available to provide technical assistance to help providers complete a loan application that fits the capital needs of their program.

POPULATION SERVED

A potential borrower must (1) be a nonprofit provider with a 501(c)(3) status or designation; (2) be licensed by the Massachusetts Office of Child Care Services or be in the process of securing a license; and (3) serve a population that includes at least 30 percent low-income persons. Providers receiving Fund loans in the past have tended to be small, urban centers serving a high percentage of low-income children (overall, 70 percent of the children served by the providers in the Fund's portfolio are low-income). This may change somewhat as the Fund expands beyond the Boston area to the rest of the state.

STRATEGIC CONSIDERATIONS

- Child care providers often feel uncomfortable about the idea of carrying debt. In the beginning, the Fund had a difficult time attracting providers because most did not believe they could afford loan payments. Convincing child care providers to take on debt took a long time, and required developing creative repayment strategies, such as balloon payments (e.g., one-time payments that could be timed to coincide with annual fundraisers). Critical to making this happen was the assistance of Fund staff who worked with providers to determine how much debt they could afford and to complete the paperwork necessary to obtain Fund loans.
- Banks and other private investors are more likely to invest in loan capital pools if there is a history of successful lending to child care providers. Here, the Fund used a portfolio of almost 50 loans made from government and foundation funds to leverage private capital from local banks and insurance companies. The good news is that child care loan funds can start small, building a portfolio of successful loans from small pots of foundation or government money that can be used in the future to attract other private lenders.
- Banks and other private lenders are often uncomfortable about making child care loans. It was difficult for the Fund to negotiate its first private bank loan, since the Fund's only collateral was its existing loan portfolio (a "weak" piece of collateral to bankers who prefer to secure loans with collateral such as houses or cars) and since the banks would definitely lose money because the interest rate being offered was below market. Fortunately, the Federal Home Loan Bank of Boston, a privately capitalized government-sponsored bank, was able to provide favorable loan terms to the participation banks, which in turn allowed them to make the loan to the Fund at several points below market rate.
- Critical to motivating banks to make loans to entities like the Fund are the requirements of the Community Reinvestment Act (CRA). In fact, many banks have CRA officers and/or departments that support their CRA lending activities. Enacted by Congress in 1977 to help meet the credit needs of low-and moderate-income communities by deterring banks from redlining (i.e. drawing on a map with a red pen and denying credit to certain neighborhoods), the CRA requires banks to meet the "credit needs of [their] entire community." Banks receive CRA ratings from federal banking regulatory agencies, which are reviewed when banks apply to make any substantial business changes or expand their operations, e.g., when two banks decide to merge. Given the increase in interstate banking, banks have found it increasingly important to develop their CRA activities.
- One drawback to using private sector capital to make child care loans is that the terms are not as attractive as the terms offered when the loan is made from foundation or government funds (e.g., 7.5 percent interest rate over ten years rather than a 5 to 6 percent interest rate). After five years as a pilot program of the United Way, the Fund had loaned out all of its capital pool. Although the Fund saw this as a measure of success (i.e. it loaned out all the foundation and government money it had), the Fund needed to attract loan capital from other sources, such as banks and insurance companies, to continue operating. So far, higher interest rates have not prevented any providers from obtaining Fund loans.

OTHER SITES WITH SIMILAR STRATEGIES

A number of other states have child care loan programs administered by the state or administered by or through nonprofit intermediaries such as Community Development Corporations (e.g., First Children's Finance in Michigan, the Development Corporation for Children in Minnesota and Coastal Enterprises CDC in Maine). Most funds, whether they are state administered or administered through intermediaries, attempt to use a mixture of government, foundation and other private funds (e.g., bank loans) for their loan capital pools.

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COMMUNITY DEVELOPMENT FINANCING (NORTH CAROLINA)

DESCRIPTION

The community development financing approach used by the Center for Community Self-Help (Self-Help) in North Carolina includes lending to child care programs. The lending effort is supported with funds from three primary sources: 1) deposits to the Self-Help credit union; 2) grants (from foundations, individuals, government and others) for capital financing, and 3) program-related investments (PRIs). PRIs are zero- or low-interest investments or loans made by organizations or individuals that are used as capital and reloaned to community-based enterprises such as child care organizations.

Self-Help makes loans of as little as $500 to help finance the cost of building a child care center. For most business loans, the interest rates charged are at or slightly above the prime lending rate. There also is a lower interest loan fund (5 percent) for some child care programs, which Self-Help manages for the Division of Child Development. These loans cannot be used to buy or build, but can be used for equipment, working capital, etc.

WHEN ESTABLISHED

Self-Help—a statewide community development financial institution with six regional offices—was established in 1980. Although the organization had always financed child care under its small-business lending, in 1993 it decided to specifically target the child care industry.

ANNUAL AMOUNT

To date, Self-Help has made more than $10 million in loans to child care programs, and their lending in this area has grown rapidly. A new effort to generate funds for lending is the Child Care Certificate of Deposit, which enables depositors to directly support Self-Help's lending in this area. These 12-month Certificates of Deposit begin with a minimum deposit of $1,000.

SERVICES FUNDED

Self-Help makes short-and long-term (up to 20-year) loans to early childhood programs throughout North Carolina. Unlike most commercial lenders, Self-Help is willing to consider "risky" loans and provides technical assistance to potential borrowers. Technical assistance may include helping a family child care provider create a first budget, helping an organization seeking to build or expand a child care center put together a comprehensive financing package and making sure that child care programs that apply for loans know about the U.S. Department of Agriculture (USDA) child care food program and other public subsidies. Self-Help has produced a detailed reference manual entitled *The Business Side of Child Care*, which discusses a wide range of issues such as assessing business risk, estimating revenue and planning facilities. It includes specialized spreadsheets that are also available on computer disk.

HOW FUNDS DISTRIBUTED

Loan applications are submitted to Self-Help, which operates like a bank and administers all aspects of the loan, including processing payments and working with borrowers who are having difficulty repaying the loan.

POPULATION SERVED

Self-Help makes loans to early childhood programs of all types and sizes, including nonprofit, church-based and proprietary child care and Head Start centers, as well as large and small family child care homes. Self-Help primarily meets the needs of child care borrowers who have the capacity to carry debt but have trouble obtaining a loan from a commercial lender.

STRATEGIC CONSIDERATIONS

- In 1993, Self-Help examined its small-business lending and realized that child care was the industry to which it had made the most loans. After a survey of child care providers, resource and referral agencies, and state child care personnel indicated that there was more than $80 million in loan demand in the child care industry, the organization decided to provide targeted loans and technical assistance to these providers. The effort has been very successful, and demand for child care loans has grown dramatically in recent years.
- The community development financing strategy used by Self-Help is an effective way to help child care programs access capital. It does not, however, lower the cost of borrowing money.
- Economy of scale is an important factor. Credit union deposits and many PRIs are small or are available for short periods of time, and therefore they might not be a viable source of capital for the long-term loans many child care operators need. But Self-Help is able to combine small, short-term investments with other large, long-term investments that have been made to its institution. Additionally, Self-Help can package its loans with loans from other state and federal partners such as the Small Business Administration, Housing and Urban Development and the Rural Development Agency. Self-Help also administers a child care loan fund for the state's Division of Child Development, which is funded with federal CCDBG dollars. Taken together, these funds provide capital needed to offer both long- and short-term loans.
- Technical assistance is a crucial element of child care lending. Self-Help has the capacity and the commitment to provide intensive technical assistance to many of its borrowers.
- Self-Help has found the delinquency rate on child care lending to be higher than it is for other lending, but actual losses have been minimal. (Loan losses have represented only two-tenths of one percent of its portfolio.) Self-Help's management of the loans has been critical to ensuring that the funds are repaid. Not surprisingly, borrowers who provided child care to middle- and upper-income families had no delinquency problems, while the majority of those that aimed for a low-income clientele suffered delinquency problems. Self-Help also found that for-profit borrowers had more delinquency problems than nonprofits.

OTHER SITES WITH SIMILAR STRATEGIES

Most large community development financing institutions (such as Coastal Enterprises, in Maine) use financing strategies similar to those described above.

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COMMUNITY DEVELOPMENT FINANCE FUND LINKED DEPOSITS (OHIO)

DESCRIPTION

"Linked deposits" involve depositing funds into a conventional lending institution for the specific purpose of enabling the bank to loan funds at a reduced rate to a specific borrower. The Ohio Community Development Finance Fund (CDFF) has used this strategy to lower the cost of loans made to nonprofit entities, including child care and Head Start programs.

WHEN ESTABLISHED

In July 1995, the Ohio Legislature appropriated $3 million for a child care facilities fund. CDFF was selected to administer and use the fund to leverage additional private-sector dollars. Linked deposits is one of CDFF's strategies for leveraging funds.

ANNUAL AMOUNT

The legislature made a one-time allocation of $3 million to CDFF. An additional $3 million has been generated by sale of the revenue and re-capitalization of those funds, a process known as "securitization." The first $3 million funded 13 centers and enabled an additional $1.8 million to be recaptured. This $4.8 million leveraged an additional $11.5 million, for a total of $17.3 million. The Department of Education subsidized this effort with $600,000.

SERVICES FUNDED

Linked deposits currently are used to support short-term construction loans. Once construction is complete, the construction loan is converted to a mortgage. The mortgage is held by the lending institution; CDFF is not involved in this aspect of the financing. Of the 13, the majority (11 of 13) are first mortgages, with an average term of six years. The interest rate provided is significantly below market rate.

HOW FUNDS DISTRIBUTED

CDFF makes a bank deposit, linked to a specific loan to a specific child care or Head Start program, at a specific interest rate, and incorporating any other specific concessions. The bank then loans funds at a reduced rate. Interest on the deposit is used to help offset the cost of making a low-cost loan to the Head Start program. Linked deposits are Certificates of Deposits that remain in a lending institution. They have a principal value which leads to monthly interest. A purchaser of maturity plus interest is identified, and the upfront payment is discounted.

POPULATION SERVED

CDFF works with nonprofit organizations. All of the child care and Head Start programs it assists serve primarily low-income families.

SERVICES FUNDED

Linked deposits is one of several financing strategies that CDFF uses to support capital financing in child care. CDFF provides Head Start training and technical assistance in financing and facilities development, and it also administers a special state-supported Head Start facilities planning grants program. The agency has recently developed a new "gap financing" loan program, which will directly loan funds to help cover the gap between the mortgage secured by a child care or Head Start agency and the total cost of the construction or renovation project.

STRATEGIC CONSIDERATIONS

- The $3 million appropriation for the Ohio Community Development Finance Fund grew out of CDFF's experience in working with Head Start agencies and a growing recognition that additional funds were needed to support capital construction in Head Start and child care. The decision to use a linked deposits strategy was based on CDFF's experience using a similar strategy in the area of low-income housing.
- CDFF is exploring ways to use the state appropriation as equity to support the issuance of securities (i.e. stocks) to capitalize the facilities fund. The agency has determined that an additional $3 million—bringing the total facilities fund to $6 million—will be needed to support a securities issuance. CDFF believes that $6 million in equity could support a securities issuance that would leverage $10 million a year.
- The decision to develop a "gap financing" loan program grew out of CDFF's research into the steps necessary to establish the experience required to successfully issue securities to capitalize the facilities fund. This is not a strong market need; organizations are more interested in lower first mortgage rates.

OTHER SITES WITH SIMILAR STRATEGIES

A number of other states and cities have used a linked deposits strategy to leverage funds for low-income housing and small business development. However, the Ohio Community Development Finance Fund appears to be the only entity using this strategy for capital financing in child care.

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KENNEBEC VALLEY COMMUNITY ACTION PROGRAM (KVCAP) EARLY CHILDHOOD FACILITY FINANCING COLLABORATIVES (MAINE)

DESCRIPTION

Kennebec Valley Community Action Program (KVCAP) uses its Child and Family Services to blend funding from many sources to build child development facilities in rural Maine. Three examples are provided.

In the town of Hartland, KVCAP worked with local government, a local employer, the school district, the Maine Department of Economic and Community Development, Head Start and others to build a community center addition onto the Hartland Consolidated School. The community center includes space for several early childhood programs, before and after-school child care, evening family and youth activities, probation and parole counseling services, health and WIC services, a community computer center, parent support groups, a family enrichment center and recreation department services, including activities for children such as karate, dance and gymnastics.

In the town of Madison, KVCAP worked with local banks, Head Start, the Skowhegan Regional Vocational School and the school district to build a portable classroom that was placed on school grounds. Built by students at the vocational school and financed by a low-interest loan from a local bank, it housed up to 36 Head Start preschool children as well as KVCAP regional offices, a family resource center and a meeting room for staff of both the elementary school and the Head Start program.

In the town of Pittsfield, KVCAP built another portable classroom for the school district, financed with a low-interest loan and charitable contributions from four local banks and the local credit union. The school leases the building from KVCAP (in a lease-to-purchase program through the Maine Department of Education) to use as a regular school classroom. In exchange, the school has made classroom space (next door to the kindergarten class) available to the KVCAP preschool program. It is used by the town for recreational activities in the summer months.

WHEN ESTABLISHED

The community center in Hartland was completed in December 1999. The Madison portable classroom was completed in 1997. The Pittsfield portable classroom was completed in 1999.

ANNUAL AMOUNT

The total cost of the Hartland community center was $1.45 million. Funding included: a $100,000 gift from the Irving Tanning Company, $130,000 from a capital campaign within the community, a $15,000 gift from three local banks, a $250,000 grant from the Maine Department of Economic and Community Development and a $950,000 school district referendum.

The total cost of the Madison Head Start Building was $120,000. The Federal Home Loan Bank system provided a $100,000 loan at 1 percent below the prime rate. KVCAP provided $20,000 in program funds to complete the job.

The total cost of the Pittsfield portable classroom was $50,000. A $45,000 loan, at prime rate with 5 annual payments and no fees, was written with the lowest bidder after five local financial institutions were asked to support the project. The financial institutions agreed to gift the first year's payment of $10,500. KVCAP provided the remaining $5,000 of funding.

SERVICES FUNDED

KVCAP's Child and Family Services sponsors Head Start, child care, early intervention and family support services for children from birth to 5 years old and their families. The community center also houses a host of additional family and community services, as described above.

HOW FUNDS DISTRIBUTED

In most cases, KVCAP's housing program develops the plans, negotiates permits, oversees the financing and generally manages the construction projects. KVCAP's Child and Family Services program operates the child development programs, including raising all of the necessary operating funds. These programs are frequently administered and funded in collaboration with the local school district and publicly funded early intervention programs.

POPULATION SERVED

KVCAP preschool programs serve school district children between the ages of 3 and 5. The heterogeneous classroom population is determined by Head Start and the school district eligibility criteria.

STRATEGIC CONSIDERATIONS

- The strong partnership between KVCAP's Child and Family Services program and KVCAP's housing program has made these capital investment projects possible. The KVCAP housing program has an understanding of facility financing and the capacity to attract investors and manage the construction process. KVCAP's Child and Family Services program sponsors a range of child development and family support programs using funds from a variety of sources. Additionally, they have the knowledge and relationships necessary to build the strong, collaborative partnerships that are needed to ensure sustained operating funds.

- While Head Start is a primary source of funding for KVCAP Child and Family Services, the program strives to provide a broad, flexible, community support rather than a narrowly focused child development program. In general, KVCAP views Head Start as a funding stream, rather than a discrete program.
- The focus on collaborative community-building has resulted in some deep and lasting changes. One example is the Madison school district, which recently received state funds to build a new school. The district invited KVCAP to join in designing the school and added the cost of a preschool wing and community gymnasium to the school referendum. The voters approved the bond issuance. Once the new school is completed, the Madison portable classroom will be moved to another school to support a collaborative early childhood program.
- KVCAP has successfully used the Community Reinvestment Act (CRA) to help banks serve the low-income community. Additionally, the agency gives each of its projects (and co-sponsors) high visibility in the community, through publicity in newspapers, and community events and meetings.
- The community center is a unique collaboration – the first of its kind in the State of Maine. The center is run by its own board of directors, which has created a memorandum of understanding with the local school district to allow the school to use the facility during normal school hours. The district pays all building expenses. The board of directors oversees all out-of-school-time programming.

OTHER SITES WITH SIMILAR STRATEGIES

The New York City Educare Centers, page 105, also mix capital and operating funds.

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TAX-EXEMPT BONDS (ILLINOIS)

DESCRIPTION

The Illinois Facilities Fund (IFF) borrowed funds through tax-exempt bonds for the purpose of constructing five and renovating two child care centers in Illinois. The bonds were purchased by private investors and were secured by an equity contribution from the IFF, a debt service reserve fund raised by the IFF and a commitment by the Illinois Department of Children and Family Services to repay the debt over 10 years, subject to annual appropriation. The IFF owns the buildings, although ownership will revert to the child care programs when the mortgages are repaid and leases them to child care providers for $1 per year. The IFF is completely liable for the debt if the state is unable or unwilling to pay.

WHEN ESTABLISHED

The bonds were issued in November 1992. Land acquisition and design began immediately. The first building opened in September 1992, and the sixth opened in April 1993. The seventh, which was held up due to environmental problems, opened in early 1994.

ANNUAL AMOUNT

The IFF bond issuance was for $13 million. Additional fundraising was required from the participating child care providers (10 percent of construction costs), and other construction funds were raised by the IFF. In total, the programs attracted $24 million, including $4 million for a primary health clinic in one of the buildings. Each year, the Illinois Legislature allocates approximately $1.5 million to repay the debt. Additionally, the state made grants to the IFF totaling $900,000 over three years (1991–93) to cover the administrative costs of the program and the cost of creating management systems for the centers.

SERVICES FUNDED

The bond issue funds covered all costs associated with design and construction of five new buildings and renovation of two buildings.

HOW FUNDS DISTRIBUTED

A request for proposals was issued jointly by the Illinois Department of Children and Family Services and the IFF. An internal committee, a screening committee and a final panel were used to select the child care providers who received the buildings.

POPULATION SERVED

The child care centers housed in the buildings serve low-income working families and, in the case of four Head Start classrooms, families who qualify for Head Start.

STRATEGIC CONSIDERATIONS

- Unlike general obligation bonds, which are owned by the governmental body issuing them, this strategy relies on bonds that are owned by a "conduit," in this case, the Illinois Facilities Fund.
- A strong, experienced intermediary is crucial to the success of this strategy. The conduit selected to sell the bonds and build the facilities–the Illinois Facilities Fund–had extensive expertise and a record of accomplishment in other financing efforts.
- Strong commitment from the private sector also was important to the success of this strategy. The IFF was created by the Chicago Community Trust, which provided a $2 million grant to serve as equity. A $1 million loan from the Illinois Development Finance Authority was secured as a reserve fund. Foundation funding also covered the cost of early planning and implementation.
- The Illinois Facilities Fund is a community development financial institution that makes loans to Illinois human services agencies that rely on government contracts and are unable to obtain other financing. Additionally, IFF provides management-skills programs, construction oversight and other technical assistance to its borrowers and child care partners.
- Each year, the state of Illinois appropriates funds–in addition to the funds allocated for child care subsidies–to repay principal and interest on the IFF debt. It is unlikely that an intermediary organization would assume this level of risk without the commitment of state funds.
- Economies of scale are important. The decision to design and build seven centers at once resulted in an estimated savings of $700,000.
- Child care programs that carry significant debt must have effective fiscal management procedures in place to ensure that cash flow is available to repay the loan. Many child care programs do not have this level of fiscal expertise. IFF has played a crucial role in strengthening the fiscal management capacity of the programs it finances.
- The multimillion-dollar buildings – which are located in neighborhoods plagued by severe poverty, drug abuse and violence – provide more than child care and Head Start. Some are family centers; one houses a health clinic; many have served as an important "anchor" and spurred additional development in their communities.

OTHER SITES WITH SIMILAR STRATEGIES

Initiatives in Fairfax, Virginia (see page 106) and Maine (see page 161) used funds from school bonds to help finance childcare facilities. Connecticut also relied on funds from revenue bonds to support its child care facilities program (see page 72).

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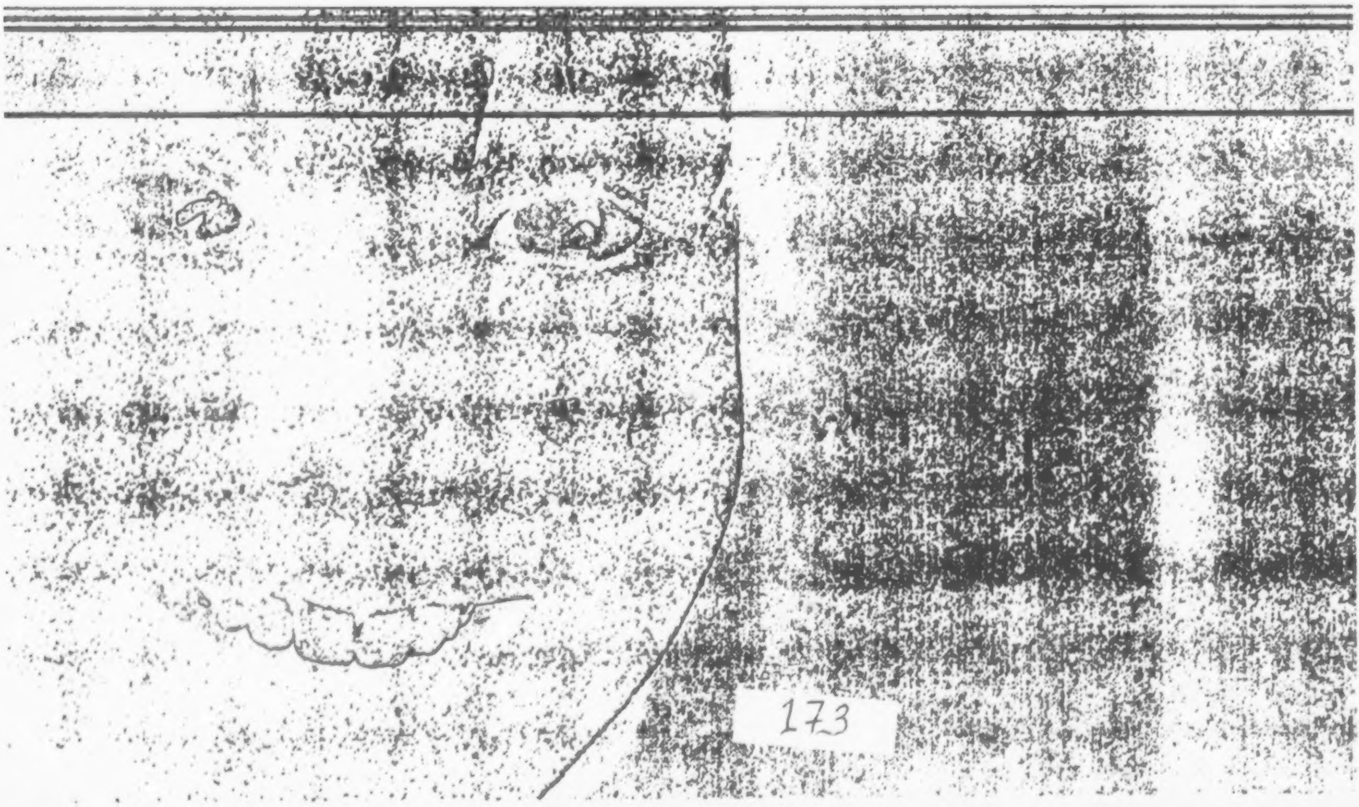


LOOKING TO THE FUTURE

NEW APPROACHES TO FINANCING CHILD CARE

This catalog describes and analyzes the strategies that states and communities use to finance child care. Learning more about these strategies, and thinking carefully about how they might be expanded or linked, are key steps in developing a strong early care and education system. But there are many financing strategies that have yet to be tested in the child care arena. This chapter explores some new ideas in the areas of tax policy, unemployment compensation, social investment and higher education that might be used as well as strategic alliances that might be formed to create economies of scale in the child care field.

TAX POLICY

The child care community has historically been reluctant to propose tax policy as a method of financing child care because existing child care tax credits and deductions have had almost no impact on the child care industry. Indeed, the benefits that are currently available from the Dependent Care Tax Credit represent only a small fraction of the cost of child care and have failed to significantly affect consumer behavior. Likewise, employer tax credits for child care expenses have not produced meaningful results.

But lessons from other fields indicate that appropriately crafted tax policy can profoundly impact the behavior of both consumers and investors and generate new dollars. Several tax credit financing initiatives from the housing and community development fields, for example, offer helpful ways to think about using tax policy to generate new investments in an industry. Each of these approaches is described in more detail below. Additionally, a paper that provides detailed analyses of each of these approaches and possible links to child care finance is available on the Alliance for Early Childhood Finance website, www.earlychildhoodfinance.org.

None of the tax strategies described in this section should be viewed as a model that can simply be replicated in early childhood. Each has its own set of strengths and weaknesses. They can, however, offer new and unique ways of thinking about how to develop effective tax policy.

THE LOW-INCOME HOUSING TAX CREDIT

The Low-Income Housing Tax Credit (LIHTC) is the largest federal program to fund the development and rehabilitation of low-income housing. Since it was established, the program has generated $12 billion in private investment. The LIHTC allows businesses and individuals who invest in low-income housing to receive a dollar-for-dollar federal tax credit against federal tax owed for over a ten-year period. The LIHTC acts as a capital subsidy, allowing investors to obtain a competitive return on their investments while allowing rents to be set below the cost of developing or maintaining the property.

The LIHTC is administered at the state level. Each state, is permitted to allocate a certain amount of tax credits each year, based on its population. States develop plans for allocating tax credit funds to specific projects, based on federal guidelines. Once the state has decided that a project should receive tax credits, the project sponsor (a nonprofit or for-profit developer) seeks investors to buy the tax credits. National syndicators – or intermediary organizations – including nonprofit groups such as the Enterprise Social Investment Corporation and the National Equity Fund, as well as financial institutions such as Boston Financial and Related Capital, have become involved in "selling" the credits to investors. The intermediaries act as a bridge between investors and projects, most typically by establishing equity funds that allow many investors to pool their contributions and spread their risk over tens or hundreds of projects. Project developers also use funds generated through the LIHTC to leverage additional financing from banks and other commercial investors, and often combine them with grants and/or loans from public agencies.

Several states have created state tax benefits that make the federal LIHTC even more attractive to investors. Missouri, Hawaii and California have state LIHTC credits that piggyback on the federal credit. Oregon has established a lender's credit that allows banks and other lenders to use the state tax credit benefits to recover the cost of no- or low-interest loans to these projects.

What makes the LIHTC unique is that it allows investors to simultaneously make a social contribution to their community and a sound financial investment. The LIHTC also provides economic incentives for developers and syndicators to carefully manage the property to ensure that it is well maintained and occupied by income-eligible tenants. If the property falls into disrepair and cannot be rented, or if the property is not rented to low-income families for the entire 15-year period, the tax credit benefits will be reclaimed and additional penalties may be charged. Additionally, banks that make LIHTC investments are permitted to use these investments as evidence that they are complying with the Community Reinvestment Act (CRA).

Unfortunately, the LIHTC is complex and expensive to administer, requiring developers and syndicators with broad expertise to manage the project. Some believe that this poses a significant and costly barrier to its adaptation in the early childhood field. Others believe that the field would benefit from having large organizations become involved in helping to finance and manage child care projects and that, in the long run, these organizations would pay for themselves through the additional dollars they could generate for the field.

It is difficult to use the LIHTC in its current form to finance child care facilities. Even if a housing project financed with tax credits is making space available for a child care center, they can only count these expenses in the eligible basis of the property if the center will exclusively serve project tenants. Proposed federal legislation, introduced by Representative Nancy Johnson (R), seeks to eliminate this restriction.

STATE NEIGHBORHOOD ASSISTANCE PROGRAMS

Twelve states (Connecticut, Delaware, Florida, Illinois, Indiana, Kansas, Maryland, Missouri, Nebraska, Pennsylvania, Virginia and West Virginia) have established Neighborhood Assistance Programs (NAPs) to provide tax credits to businesses that contribute (cash, materials, staff) to community-based nonprofit organizations often targeting low-income people and communities. In 1994, NAPs generated more than $63 million in private-sector contributions to nonprofit organizations.

Like the LIHTC, NAPs link the private sector to nonprofit organizations through the vehicle of tax credits. However, the NAP approach is different from the LIHTC in several important respects. The NAP tax credit is typically designed as a one-time charitable contribution given by a corporation to a nonprofit organization. Therefore, unlike the LIHTC, the corporate investor does not become a limited partner of the nonprofit, and therefore has no ownership interest in the nonprofit's business. Consequently, after a contribution is received, the nonprofit has no further responsibilities to the corporate investor.

Typically, the state revenue department works with another state agency (e.g., Department of Community and Economic Development) to administer the NAP. State Neighborhood Assistance Acts (NAAs) encourage contributions to a range of community programs, including child care, job training and education, economic development and physical revitalization of housing or buildings. Generally speaking, any tax-exempt organization located in a low-income community or serving low-income people can apply for NAA certification. To obtain the tax credit, the nonprofit submits a written proposal to the state agency running the NAP. The proposal includes the amount of tax credit that the nonprofit would like to receive. If a nonprofit is awarded a tax credit, it may solicit a contribution from any businesses (often including self-employed persons) authorized to operate in the state.

To receive the tax credit, businesses can contribute cash, materials and/or property to a nonprofit, although some states, such as Connecticut, limit contributions to cash. Some states have minimum eligible contributions ($2,400 to $10,000), and some have maximum contributions ranging from $25,000 to $500,000. States vary in the amount of the value of the tax credit that can be subtracted from any state taxes due, ranging from 40 percent to 70 percent of the value of the contribution. The more the credit is worth, the greater the incentive for corporate investors to contribute. Businesses may also carry forward unused tax credits for up to five years.

While they are theoretically eligible in many states, few child care providers apply for NAP tax credits. The child care industry is typically unfamiliar with NAPs and, in most cases, unable to spend the time and energy necessary to market the credit to potential donors. In general, NAP tax credits are used by Community Development Corporations (CDCs) or by programs that are linked to a neighborhood CDC. Child care programs interested in NAP tax credits in the 12 states with programs should contact the NAP program office in their state.

COMMUNITY DEVELOPMENT CORPORATION TAX CREDIT

The Community Development Corporation (CDC) Tax Credit offers another useful tax credit approach for consideration by the child care industry. Established as a demonstration project in 1993, the CDC Tax Credit program provided a tax credit for individual and corporate contributions to nonprofit CDCs. During the six-year period that the credit was available, it raised $20 million in private-sector loans, grants and investments for the CDC activities pilot.

Under the program, each year for a ten-year period, funders who gave grants, provided loans or made investments in 20 CDCs (which were competitively selected to participate in the pilot project) could claim a tax credit equal to five percent of the overall amount provided. If the contribution was a grant, the contributor could claim the tax credit and the standard income tax deduction for charitable contributions. CDCs were required to use the contributions generated via the tax credit to create employment and business opportunities for residents of their target areas.

The problems encountered by CDCs seeking to employ the tax credit should be studied by those interested in developing effective child care tax strategies. First, many of the CDCs had trouble attracting bank loans or investments through the tax credit. In fact, a Brookings Institution report found that without complex financial structuring of deals provided by the Local Initiatives Support Corporation (LISC), the rate of return on [illegible] was too low to convince banks to lend to CDCs. Second, CDCs had little success in attracting new donors to support their efforts. CDCs' main source of grant money has always come from tax-exempt entities, such as foundations, government agencies and religious institutions. Thus, the tax credit was not an incentive for such donors to give more.

THE HOME MORTGAGE TAX DEDUCTION:

The home mortgage interest tax deduction has proven to be an effective way of providing financial assistance to families who wish to purchase a home. Any household that elects to submit an itemized tax return is permitted to deduct the full amount of interest paid on mortgages of less than $1 million ($500,000 if married and filing separate returns) for a primary or secondary home. The home mortgage deduction also includes first and second mortgages, home equity loans and refinanced mortgages. Depending upon the family's tax bracket, the home mortgage deduction can effectively reduce monthly mortgage payments by as much as 30 percent.

The home mortgage tax deduction directly affects consumer decision-making. When determining how much they can afford to spend on a home, families typically estimate how much the deduction will lower their monthly payments. Real estate agents often remind families of the financial benefits of the home mortgage tax deduction when selling homes. Banks and other commercial lenders also consider the financial benefits of the tax deduction when evaluating how much debt a family can carry. Because the deduction is large enough to significantly lower monthly payments–thereby encouraging the purchase of more expensive homes–it has the ability to simultaneously spur the housing and banking industries at the same time it makes home purchases more affordable for families.

A similar result could occur in child care. The Dependent Care Tax Credit could be revised to allow families to claim the full cost (or a significant percentage of the cost) of early care and education services. Special incentives also could be included to encourage the use of higher quality care, such as allowing families that use an accredited program to claim a higher tax credit. With these changes, the child care industry could begin to market the credit, perhaps by distributing information about tax benefits when they inform parents about fee increases.

EMPLOYMENT TAX INCREMENT FINANCING

The tax strategies described thus far are primarily designed to lower taxes on business or investment profit. Another way to offer tax incentives is by lowering employment taxes. Maine's Employment Tax Increment Financing (ETIF) takes this approach.

ETIF is available to a Maine business that creates at least 15 new jobs within a two-year period and: 1) pays those employees an income that exceeds the average per capita income in the county of employment and 2) provides the employees with health insurance and retirement benefits. The business must also be able to demonstrate that its expansion project will not succeed without ETIF benefits.

An ETIF-approved business would receive a reduction of between 30 and 75 percent of the state income tax withholdings paid for qualified employees for up to ten years. Jobs created in a labor market where unemployment is at or below the state average earn a 30 percent reimbursement, while those with higher than average unemployment earn 50 percent. In areas where unemployment exceeds 150 percent of the state average the reimbursement is 75 percent.

While a child care program theoretically is eligible for the ETIF, to date none has applied. The Maine Department of Economic Development, however, is exploring the feasibility of marketing and/or adapting the program to increase participation from the child care industry. Employment Tax Increment Financing could be a promising strategy for encouraging improvements in the child care field. For example, a special ETIF could be established for early childhood programs that participate in state career development initiatives, pay higher wages and offer health and retirement benefits. This would be an excellent way to provide the financial assistance child care businesses need to offer higher wages to higher qualified staff. This approach also could be positioned as a way to cut the taxes paid by child care businesses, and as a result, might garner support from policy-makers who would otherwise be reluctant to support a proposal to supplement the wages of child care staff.

UNEMPLOYMENT INSURANCE AND OTHER SOCIAL INVESTMENT STRATEGIES

Financing child care is not only about generating funds that can support out-of-home care. It also is about helping families that choose to stay at home and care for their own children. Social investment strategies, such as Unemployment Insurance (UI) and Temporary Disability Insurance (TDI) are two cost-effective ways to finance partial wage replacement during family leave. TDI is already used by many states and employers to support "pregnancy-related disability" and some states, such as New Jersey, are looking at expanding these benefits to include coverage for more broadly defined family leave. (See profile on page 142.)

The U.S. Department of Labor has developed rules that will allow states to use Unemployment Insurance benefits to make family leave more affordable. This is a promising strategy. Many states have ample reserves in their unemployment insurance trust funds and are therefore well-positioned for an expansion of benefits. Nine states (including Washington, Vermont, Indiana, Massachusetts, Minnesota, Connecticut, New Jersey, Maryland and Illinois) have already proposed legislation to cover workers on family leave. Additionally, President Clinton proposed a $20 million allocation for competitive planning grants to help states and other entities explore ways to make family and medical leave more affordable. Additional information can be obtained from The National Partnership Family Leave Network (dlenhoff@nationalpartnership.org).

HIGHER EDUCATION STRATEGIES

The problem of finance in early childhood is both a question of resources (increased investments) and a question of distribution (a better framework to organize and deliver the resources). As an approach to the problem of early childhood finance, the higher education model has several features that hold promise. For example, higher education and early childhood education support similar values: family choice, equity, access and quality. Higher education, like early education, encompasses a full range of providers, public and private, for-profit and not-for-profit, religious and secular. Higher education is supported by a variety of public and private funding sources, including tuition paid by families. Higher education is familiar, easy to understand and well accepted by the public.

Most importantly, the higher education system offers potential solutions to the major problems faced by the early care and education system, particularly with regard to need analysis, combining direct and portable aid, full-cost pricing and funding standards.

NEED ANALYSIS

Higher education uses a uniform methodology for determining family ability to pay, rather than an arbitrary formula (e.g., 10 percent of income) or a scale designed to stretch limited funds over a large pool of families. In higher education, the need analysis yields an expected family contribution (EFC). Scholarships, grants and/or loans from sources other than the family are used to make up the difference between the EFC and the full price of education. This approach to determining the need for aid could be a helpful model for early care and education.

GENERAL AND INDIVIDUAL AID IS COMBINED

Higher education is supported by multiple public and private financial sources, in forms that are both direct to institutions and in portable aid for consumers. General aid, such as government appropriations, grants, contracts and revenue from endowments, is received directly by institutions of higher education (or generated by them in the case of endowments) and reduces the price of tuition for all or some students. Additionally, many students and their families received portable, individual aid in the form of scholarships, grants and loans to use at the institution of their choice. Early care and education programs rely almost entirely on fees paid by parents and on portable, individual aid and rarely receive any direct, institutional support. Higher education offers a useful framework for understanding how general (direct) and individual (portable) aid can be combined.

FULL COST PRICING

Higher education institutions set tuition prices based on the full cost of a quality education, less any direct support to the institution. Early childhood and out-of-school-time programs set prices based on perceptions of the average family's ability to pay. As a result, quality is severely limited by keeping wages low. Public subsidy systems then use these low prices to set reimbursement rates. If, instead, prices were set to include adequate compensation to retain skilled staff and to cover the costs of the other essential elements of a quality program, the true cost of quality would be known. Understanding the true cost is a necessary first step in generating adequate financial support and is another area in which higher education might offer important lessons.

FUNDING STANDARDS

Only accredited institutions of higher education can access federal funds; institutions can be accredited by one of several bodies, all of which must meet the same federal guidelines, thus assuring consistency.

Institutions of higher education have multiple sources of revenue and do not depend primarily on tuition. On average, tuition payments represent only 30 percent of their operating expenses. However, in early education, most programs rely heavily on parents' fees; on average, tuition payments represent 70–80 percent of total operating revenues. By the same token, while colleges and universities devote significant resources to infrastructure needs such as faculty development and buildings, early childhood programs rarely include the cost of facilities (including repair, maintenance and depreciation) in their budgets.

Essentially, the higher education model applied to early care and education offers an innovative framework for structuring finances. It includes some useful features such as more rational methods of determining family contribution to the cost of care, and it offers the concepts of direct (institutional) and portable (individual) aid. To succeed as a practical alternative to the current system of financing early care and education, new sources of funding and larger overall investments will be required to fill in the gaps that remain.

STRATEGIES TO PROMOTE ECONOMIES OF SCALE

Early childhood programs tend to be small. The average child care center serves approximately 70 children. Providing direct support to many small programs can be a challenge. Additionally, these small businesses often do not have the financial stability and fiscal expertise necessary to take advantage of many financing strategies.

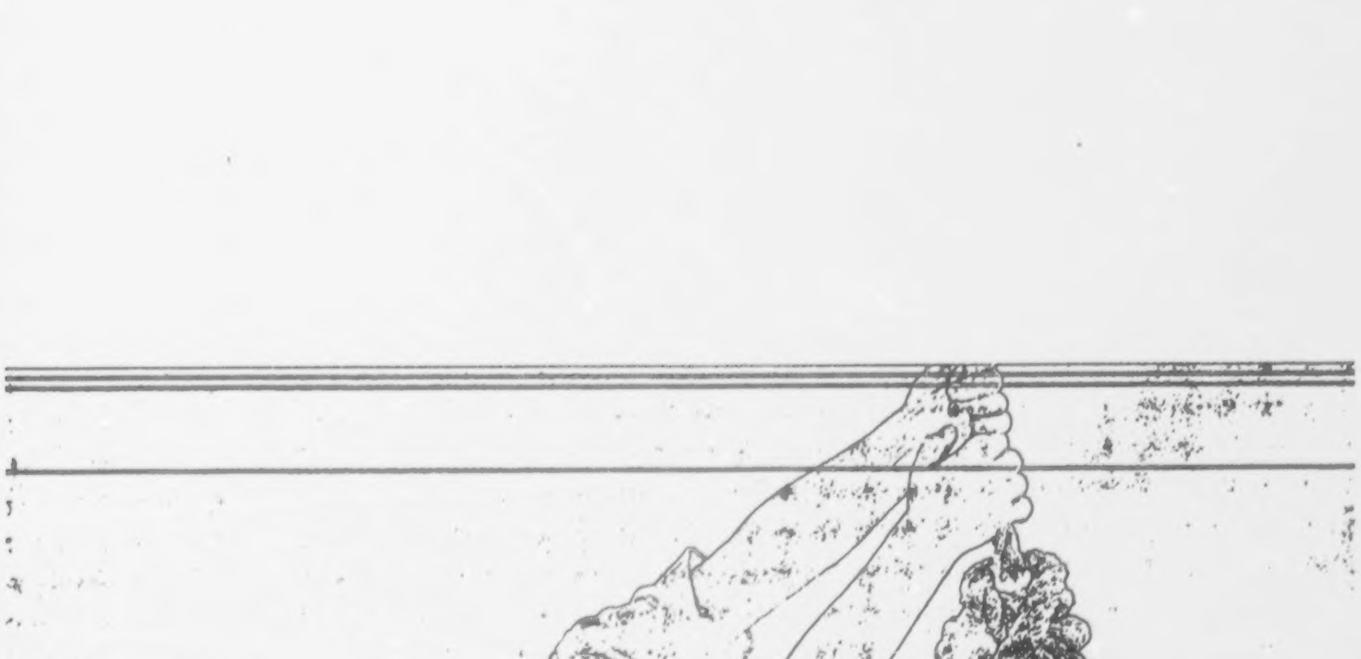
Colleges and universities, on the other hand, have campuses that serve up to 50,000 students. They can afford to support a financial aid office with professional staff that focus exclusively on helping students access assistance, and they can staff a development office that helps to raise additional funds to support the institution. Housing projects are built for hundreds of families, and the organizations that help to finance these projects typically "package" multiple projects into a single financing strategy to help reach economies of scale. These organizations employ a host of professionals that focus exclusively on financing. Transportation systems are equally large and employ experts in development and fiscal management. While health care began as a cottage industry made up of individual physicians in private practice, managed care has changed the face of that industry. A number of new alliances and joint ventures have been developed to help health care providers reach economies of scale, merge costly administrative functions and negotiate with potential clients as a group. And as more and more states begin to explore managed care models for the administration of child welfare funds, human service agencies have begun to explore new alliances as well. These approaches offer some important lessons to the early childhood field.

There are several ways that early childhood programs can join forces and obtain economies of scale without merging. In the private sector, more and more companies are coming to realize that success may lie in plotting common approaches to customers through relational databases and new alliances, rather than plotting strategies that promote competition. An interesting model for these alliances is one that was developed by American Airlines many years ago – the SABRE electronic reservation system, which is now used by thousands of travel agencies as well as many other airline carriers. Banks have built on this concept with ATM networks. Hotels have developed jointly owned hotel reservation systems. Other large and small businesses have used similar strategies to develop new kinds of information, management and marketing partnerships.

It would be possible, for instance, for a group of child care programs in a particular region to employ a single entity to market their services, enroll families and manage billing and fee collection. This would not only expand access to new markets and streamline administrative costs, but could also help to reduce accounts receivable (which can be high in some programs) and improve cash flow. Similarly, a group of early childhood programs could come together to develop common systems for training and recruiting staff, securing substitutes or providing a range of family support services. Sharing certain staff positions might be a possibility, as would joining forces to develop a community-wide strategy for financing early childhood services. The possibilities are numerous.

CONCLUSION

The early childhood field has learned a great deal about financing in recent years. Much remains to be learned, and many ideas are still not fully explored. Through reaching out to leaders and creative thinkers in other fields, developing pilot projects to test new approaches and remaining open to bold ideas, this important learning will continue – and bring about needed reforms in child care financing.



APPENDIX

REVENUE-GENERATION METHODS: TAXES

The public sector generates revenue primarily through taxation. Taxes are assessed based on what you own, spend and earn. Taxation occurs at all levels of government.

TYPES OF TAXES LEVIED BY VARIOUS UNITS OF GOVERNMENT

LOCAL GOVERNMENT

(CITY, COUNTY, SCHOOL DISTRICT)

STATE GOVERNMENT

FEDERAL GOVERNMENT

REVENUE-GENERATION METHODS: FEES

Public sector revenue also can be generated by fees, which can be collected at any level of government but are more common at the local and state levels.

IMPACT FEES

Anticipate the need for government services (e.g., roads, water, schools) that will result from actions by the private sector that will cause population growth and are intended to offset their costs.

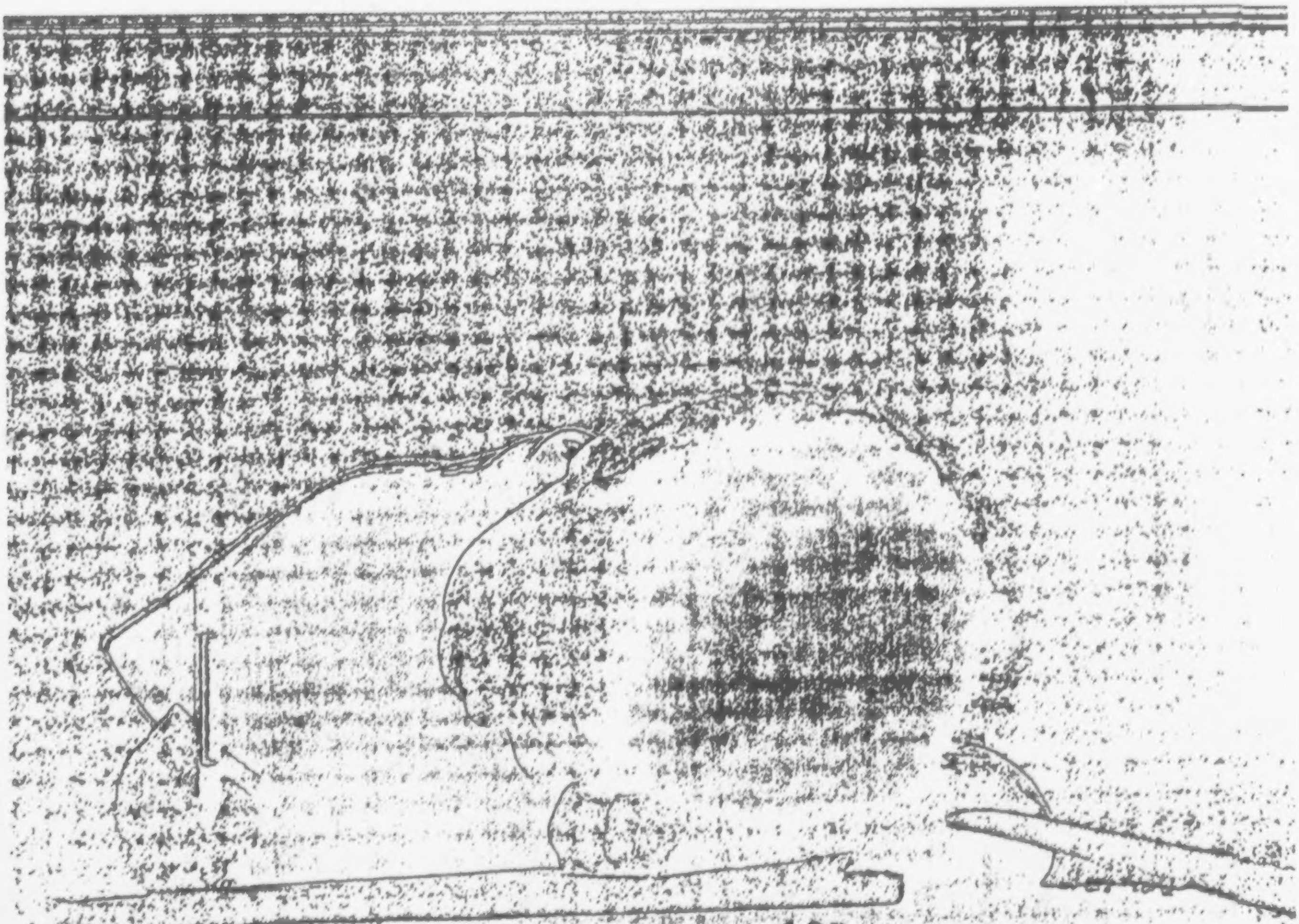
SERVICE FEES

Shift the cost (or part of the cost) from government to the user of a public service (e.g., mortgage/deed recording, driver's license, garbage collection).

ENTERPRISE FEES

Are generated from a self-supporting enterprise created by government (e.g., municipal golf course, state lottery, national park) for which fees can be charged. The profits generated by the enterprise are used for other government expenses.

	WHAT YOU OWN	WHAT YOU SPEND	WHAT YOU EARN
	Property taxes on real estate Personal property taxes Motor vehicle taxes	Sales taxes on purchases of goods and services Excise taxes on specific goods (e.g., cigarettes, liquor, fuel) and services (e.g., hotel stays, taxi rides)	Income taxes (i.e. personal and corporate) Capital gains taxes
	Property taxes the major source of local revenue — over half goes to public schools	Sales taxes Most states with sales taxes permit localities to levy additional sales taxes Real estate transfer taxes	Income taxes 17 states permit localities to tax personal and corporate income Capital gains tax
	Personal property taxes Motor vehicle taxes	Sales taxes (45 states) the major source of revenue for states Excise taxes Real estate transfer taxes	Income taxes (41 states) individual taxes are the second-largest source of revenue for states Capital gains tax
	No national property tax	No national sales tax Excise taxes (e.g., fuel, air travel, tobacco, alcohol, luxury items, telecommunications)	Personal income taxes the major source of federal revenue Corporate income taxes Capital gains taxes



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